

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

AUDIT REPORT

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

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

TABLE OF CONTENTS

| | |
|--|-------|
| Organization | 1 |
| Management Discussion and Analysis | 2-7 |
| Independent Auditor's Report | 8-10 |
| Financial Statements | |
| <u>Government-wide Financial Statements</u> | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| <u>Fund Financial Statements</u> | |
| Balance Sheet – Governmental Funds | 13 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds | 15 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Position – Proprietary Fund Types | 17 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types | 18 |
| Statement of Cash Flows – Proprietary Fund Types | 19 |
| Statement of Net Position – Fiduciary Fund Types | 20 |
| Statement of Changes in Net Position – Fiduciary Fund Types | 21 |
| Notes to Financial Statements | 22-64 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule | 65-67 |
| Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation | 68 |
| Schedule of Changes in Total OPEB Liability and Related Ratios | 69 |
| Schedule of Proportionate Share of the Net Pension Liability | 70 |
| Schedule of Contributions | 71 |
| Notes to Required Pension Supplementary Information | 72-77 |
| Single Audit Section | |
| Schedule of Expenditures of Federal Awards | 78-79 |
| Notes to the Schedule of Expenditures of Federal Awards | 80 |

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2024

TABLE OF CONTENTS – Continued

| | |
|--|-------|
| 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 | 81-82 |
| Independent Auditor’s Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance | 83-85 |
| Schedule of Findings and Questioned Costs | 86-87 |
| Report on Prior Audit Recommendations | 88 |

LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2024

BOARD OF COUNTY COMMISSIONERS

| | |
|--------------|--------------|
| Josh Letcher | Chairperson |
| Jim Hammons | Commissioner |
| Brent Teske | Commissioner |

COUNTY OFFICIALS

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

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

Our discussion and analysis of Lincoln County's financial performance provides an overview of Fiscal Year 2023-2024 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 2024 are as follows:

- Federal PILT payment extended to be paid to 2024 rather than ending in 2020.
- Growth in the housing starts, and property value increase.
- There is an influx of new microbusinesses that have moved into our communities.

USING THIS ANNUAL FINANCIAL REPORT

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

Fund Financial Statements

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

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

- 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 the County. Proprietary funds are reported using full accrual accounting, which is the same accounting method, used by the Statement of Net Position and the Statement of Activities.
- Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of the parties outside the government. Fiduciary funds are not reflected in the governmental wide financial statements because the resources of those funds are not available to support the County's programs or services. The accounting used for fiduciary funds is much like that used for proprietary funds.

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, assets exceeded liabilities by \$29,969,890 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 2024 and compared to the prior year.

Table 1 - Net Position

| | Governmental Activities | | | Business-type Activities | | |
|----------------------------------|----------------------------|---------------|---------------------|-----------------------------|--------------|---------------------|
| | FY24 | FY23 | Change Inc (Dec) | FY24 | FY23 | Change Inc (Dec) |
| Current and other assets | \$ 33,353,297 | \$ 28,033,693 | \$ 5,319,604 | \$ 5,477,479 | \$ 5,433,129 | \$ 44,350 |
| Capital assets | 12,674,421 | 12,375,363 | 299,058 | 1,357,212 | 1,324,873 | 32,339 |
| Total assets | \$ 46,027,718 | \$ 40,409,056 | \$ 5,618,662 | \$ 6,834,691 | \$ 6,758,002 | \$ 76,689 |
| Long-term debt outstanding | \$ 9,354,431 | \$ 9,241,869 | \$ 112,562 | \$ 910,142 | \$ 859,405 | \$ 50,737 |
| Other liabilities | 10,540,607 | 10,521,348 | 19,259 | 2,087,339 | 1,850,890 | 236,449 |
| Total liabilities | \$ 19,895,038 | \$ 19,763,217 | \$ 131,821 | \$ 2,997,481 | \$ 2,710,295 | \$ 287,186 |
| Net investment in capital assets | \$ 12,765,842 | \$ 12,521,331 | \$ 244,511 | \$ 1,357,212 | \$ 1,324,873 | \$ 32,339 |
| Restricted | 9,813,966 | 11,170,316 | (1,356,350) | 1,247,419 | 1,180,440 | 66,979 |
| Unrestricted (deficit) | 3,552,872 | (3,045,808) | 6,598,680 | 1,232,579 | 1,542,394 | (309,815) |
| Total net position | \$ 26,132,680 | \$ 20,645,839 | \$ 5,486,841 | \$ 3,837,210 | \$ 4,047,707 | \$ (210,497) |

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

Table 2 - Changes in Net Position

| | Governmental Activities | | | Business-type Activities | | |
|---|----------------------------|----------------------------|-----------------------------|-----------------------------|--------------------------|-----------------------------|
| | <u>FY24</u> | <u>FY23</u> | <u>Change Inc (Dec)</u> | <u>FY24</u> | <u>FY23</u> | <u>Change Inc (Dec)</u> |
| Revenues | | | | | | |
| <i>Program revenues (by major source):</i> | | | | | | |
| Charges for services | \$ 1,496,545 | \$ 1,685,123 | \$ (188,578) | \$ 2,427,399 | \$ 2,048,948 | \$ 378,451 |
| Operating grants and contributions | 11,722,180 | 10,287,069 | 1,435,111 | - | - | - |
| Capital grants and contributions | 252,881 | 63,728 | 189,153 | 21,882 | - | 21,882 |
| <i>General revenues (by major source):</i> | | | | | | |
| Property taxes for general purposes | 6,616,595 | 6,194,303 | 422,292 | - | - | - |
| Licenses and permits | 68,445 | 84,236 | (15,791) | - | - | - |
| Video poker apportionment | 15,820 | 17,472 | (1,652) | - | - | - |
| Miscellaneous | 656,603 | 302,954 | 353,649 | - | 249 | (249) |
| Interest/investment earnings | 1,134,432 | 128,840 | 1,005,592 | 45,371 | (7,762) | 53,133 |
| Local option taxes | 1,155,365 | 1,100,075 | 55,290 | - | - | - |
| Unrestricted federal/state shared revenues | - | 14,177 | (14,177) | - | - | - |
| State entitlement | 1,242,098 | 1,193,251 | 48,847 | - | - | - |
| PILT | 837,713 | 785,316 | 52,397 | - | - | - |
| State contribution to retirement | 137,174 | 168,541 | (31,367) | 20,335 | 23,067 | (2,732) |
| Contributions & donations | - | 252,987 | (252,987) | - | - | - |
| Total revenues | <u>\$ 25,335,851</u> | <u>\$ 22,278,072</u> | <u>\$ 3,057,779</u> | <u>\$ 2,514,987</u> | <u>\$ 2,064,502</u> | <u>\$ 450,485</u> |
| Program expenses | | | | | | |
| General government | \$ 6,388,298 | \$ 5,720,552 | \$ 667,746 | \$ - | \$ - | \$ - |
| Public safety | 6,352,194 | 5,352,162 | 1,000,032 | - | - | - |
| Public works | 4,240,427 | 4,987,743 | (747,316) | - | - | - |
| Public health | 1,883,565 | 2,680,641 | (797,076) | - | - | - |
| Social and economic services | 183,155 | 153,865 | 29,290 | - | - | - |
| Culture and recreation | 850,812 | 855,730 | (4,918) | - | - | - |
| Housing and community development | 145,207 | 122,265 | 22,942 | - | - | - |
| Conservation of natural resources | 110,015 | 385,882 | (275,867) | - | - | - |
| Debt service - interest | 18,889 | 11,844 | 7,045 | - | - | - |
| Miscellaneous | 108,480 | 75,652 | 32,828 | - | - | - |
| Solid Waste | - | - | - | 2,293,452 | 1,915,677 | 377,775 |
| Total expenses | <u>\$ 20,281,042</u> | <u>\$ 20,346,336</u> | <u>\$ (65,294)</u> | <u>\$ 2,293,452</u> | <u>\$ 1,915,677</u> | <u>\$ 377,775</u> |
| Excess (deficiency) before special items and transfers | <u>5,054,809</u> | <u>1,931,736</u> | <u>3,123,073</u> | <u>221,535</u> | <u>148,825</u> | <u>72,710</u> |
| Transfers - net | <u>216,016</u> | <u>(319,940)</u> | <u>535,956</u> | <u>(216,016)</u> | <u>319,940</u> | <u>(535,956)</u> |
| Increase (decrease) in net position | <u>\$ 5,270,825</u> | <u>\$ 1,611,796</u> | <u>\$ 3,659,029</u> | <u>\$ 5,519</u> | <u>\$ 468,765</u> | <u>\$ (463,246)</u> |

Condensed Financial Statements

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

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

The cost of all Governmental activities this year was \$20,281,042 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 \$6,616,595. 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 payments, general contributions and other miscellaneous revenues along with remaining cash carryovers from the prior fiscal year financed the remaining portions of budgets.

BUSINESS TYPE ACTIVITIES

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

Financial Analysis of the County’s Funds

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

Governmental Funds Overview

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

As of the end of Fiscal Year 2024 the combined ending fund balances of Lincoln County’s governmental funds were \$24,851,754. The General Fund cash of \$19,636,784 provides a cash reserve to provide liquidity until tax revenue is received in November. Remaining cash may be re-appropriated in accordance with the purposes of the specific funds.

Lincoln County has two major governmental funds: The General Fund and Public Safety Fund; and then the Solid Waste Fund for businesses type funds.

General Fund.

This is the chief operating fund of Lincoln County. At the end of the fiscal year 2024 unreserved fund balance of the General Fund was \$15,494,203. 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.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

Road Fund

This fund is used to report all County road projects. At the end of the fiscal year 2024 the fund balance was \$6,413,730. All of which is restricted to road projects.

Public Safety Fund.

This fund is a special revenue fund used to account for Lincoln County's sheriff, dispatch, coroner and detention services. At the end of the fiscal year 2024, fund balance of the Public Safety Fund was \$34,795. Prior year ending fund balance was \$1,222,358.

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 2024. The Solid Waste fund had a total net position of \$3,837,210 which was a decrease from the prior year balance of \$4,047,707.

FY24 General Fund Budgetary Highlights

Over the course of the year, Lincoln County's General Fund budget remained the same. The General Fund expenditure budget was \$5,390,937 and they spent \$5,124,111.

Capital Assets

Lincoln County's investment in capital assets (depreciable, net) including leases for its governmental and business type activities as of June 30, 2024, was \$14,429,733. This investment in capital assets includes land, significant road projects, construction in progress, buildings, machinery & equipment, and improvements other than buildings. The governmental funds had additions of \$1,343,252 during fiscal year 2024. These additions included items such as vehicles, Mack trucks with plows, chip sealer, an excavator, a chip spreader, a skid steer, and the APR building. For the Solid Waste, they had additions of \$182,436 which includes items such as a landfill compactor, a 2020 Ford F-150 and a GMC Canyon.

Long Term Debt

The Solid Waste Fund has a landfill closure post closure liability of \$1,391,523. The County does not have any loans or bonds but does have some leases. These leases are for wheel loaders, two hydraulic excavators, and a tire compactor. They have a lease liability in relation to these items of \$306,679. Other long term liabilities include compensated absences, OPEB, and net pension liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Temporary support through the re-authorization of the Secure Rural Schools and Communities Act has provided a much-needed boost to the Road Fund, although it is recognized as only a short-term solution.

Several factors continue to influence the County's long-term economic future. Decreased timber harvests and diminished natural resource jobs, in part due to legal and environmental hurdles at the two HECLA mines, have constrained local employment. Compounding these issues is the lingering stigma from the EPA Superfund site in the Libby/Troy area, as well as the impact of the COVID-19 pandemic.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Fiscal Year ended June 30, 2024

Nevertheless, signs of improvement are emerging. Housing starts have increased, real estate activity is up, and property values are rising. New microbusinesses are also taking root, diversifying the local economy. Moreover, the U.S. Forest Service (USFS) has incorporated production targets into its annual business plans, resulting in higher timber sales revenue for the County. Meanwhile, community groups are working collaboratively to enhance the economic and business climate.

Looking ahead, County leadership remains committed to finding innovative ways to bolster economic stability and secure consistent revenue streams. By supporting these ongoing efforts, Lincoln County aims to ensure sustainable growth for future budgets.

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

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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, 2024, 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, 2024, 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 2024, the Lincoln County adopted new accounting guidance, GASB No. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, 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 8, 2025, 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, CPAs, P.C.

May 8, 2025

Lincoln County, Montana
Statement of Net Position
June 30, 2024

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 29,468,912 | \$ 3,791,943 | \$ 33,260,855 |
| Taxes and assessments receivable, net | 354,172 | 224,502 | 578,674 |
| Accounts receivable - net | - | 20,321 | 20,321 |
| Notes and loans receivable | 377,471 | - | 377,471 |
| Due from other governments | 444,776 | 10,898 | 455,674 |
| Total current assets | <u>\$ 30,645,331</u> | <u>\$ 4,047,664</u> | <u>\$ 34,692,995</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | \$ - | \$ 1,247,419 | \$ 1,247,419 |
| Capital assets - land | 609,651 | 850 | 610,501 |
| Capital assets - construction in progress | 3,379,022 | 397,409 | 3,776,431 |
| Capital assets - depreciable, net | 8,685,748 | 958,953 | 9,644,701 |
| Leased assets, net | 398,100 | - | 398,100 |
| Total noncurrent assets | <u>\$ 13,072,521</u> | <u>\$ 2,604,631</u> | <u>\$ 15,677,152</u> |
| Total assets | <u>\$ 43,717,852</u> | <u>\$ 6,652,295</u> | <u>\$ 50,370,147</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources - pensions | \$ 1,741,114 | \$ 104,849 | \$ 1,845,963 |
| Deferred outflows of resources - OPEB | 568,752 | 77,547 | 646,299 |
| Total deferred outflows of resources | <u>\$ 2,309,866</u> | <u>\$ 182,396</u> | <u>\$ 2,492,262</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 46,027,718</u> | <u>\$ 6,834,691</u> | <u>\$ 52,862,409</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 16,754 | \$ - | \$ 16,754 |
| Accrued payroll | 472,679 | 50,480 | 523,159 |
| Revenues collected in advance | 3,757,132 | - | 3,757,132 |
| Current portion of compensated absences payable | 793,858 | 94,940 | 888,798 |
| Current portion of lease liabilities | 136,832 | - | 136,832 |
| Total current liabilities | <u>\$ 6,370,095</u> | <u>\$ 145,420</u> | <u>\$ 6,515,515</u> |
| Noncurrent liabilities | | | |
| Landfill closure postclosure liability | \$ - | \$ 1,391,523 | \$ 1,391,523 |
| Other post employment benefits (OPEB) | 2,035,898 | 277,586 | 2,313,484 |
| Noncurrent portion of compensated absences | 241,555 | 32,713 | 274,268 |
| Net pension liability | 8,319,018 | 782,489 | 9,101,507 |
| Noncurrent portion of lease liabilities | 169,847 | - | 169,847 |
| Total noncurrent liabilities | <u>\$ 10,766,318</u> | <u>\$ 2,484,311</u> | <u>\$ 13,250,629</u> |
| Total liabilities | <u>\$ 17,136,413</u> | <u>\$ 2,629,731</u> | <u>\$ 19,766,144</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources - pensions | \$ 400,873 | \$ 46,281 | \$ 447,154 |
| Deferred inflows of resources - OPEB | 2,357,752 | 321,469 | 2,679,221 |
| Total deferred inflows of resources | <u>\$ 2,758,625</u> | <u>\$ 367,750</u> | <u>\$ 3,126,375</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 12,765,842 | \$ 1,357,212 | \$ 14,123,054 |
| Restricted for special projects | 9,813,966 | - | 9,813,966 |
| Restricted for landfill closure/postclosure | - | 1,247,419 | 1,247,419 |
| Unrestricted | 3,552,872 | 1,232,579 | 4,785,451 |
| Total net position | <u>\$ 26,132,680</u> | <u>\$ 3,837,210</u> | <u>\$ 29,969,890</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 46,027,718</u> | <u>\$ 6,834,691</u> | <u>\$ 52,862,409</u> |

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2024

| <u>Functions/Programs</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>Total</u> |
| | <u>Expenses</u> | <u>Indirect Expense Allocation</u> | | | | <u>Governmental Activities</u> | <u>Business-type Activities</u> | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 6,388,298 | \$ (776,546) | \$ 658,404 | \$ 5,834,687 | \$ - | \$ 881,339 | \$ - | \$ 881,339 |
| Public safety | 6,352,194 | 296,862 | 506,559 | 580,390 | 209,963 | (5,352,144) | - | (5,352,144) |
| Public works | 4,240,427 | 263,668 | 275,091 | 3,529,521 | 42,918 | (656,565) | - | (656,565) |
| Public health | 1,883,565 | | 12,045 | 1,721,065 | - | (150,455) | - | (150,455) |
| Social and economic services | 183,155 | | 4,968 | - | - | (178,187) | - | (178,187) |
| Culture and recreation | 850,812 | | 39,478 | 13,245 | - | (798,089) | - | (798,089) |
| Housing and community development | 145,207 | | - | 43,272 | - | (101,935) | - | (101,935) |
| Conservation of natural resources | 110,015 | | - | - | - | (110,015) | - | (110,015) |
| Debt service - interest | 18,889 | | - | - | - | (18,889) | - | (18,889) |
| Miscellaneous | 108,480 | | - | - | - | (108,480) | - | (108,480) |
| Total governmental activities | \$ 20,281,042 | \$ (216,016) | \$ 1,496,545 | \$ 11,722,180 | \$ 252,881 | \$ (6,593,420) | \$ - | \$ (6,593,420) |
| Business-type activities: | | | | | | | | |
| Solid Waste | \$ 2,293,452 | \$ 216,016 | \$ 2,427,399 | \$ - | \$ 21,882 | \$ - | \$ (60,187) | \$ (60,187) |
| Total business-type activities | \$ 2,293,452 | \$ 216,016 | \$ 2,427,399 | \$ - | \$ 21,882 | \$ - | \$ (60,187) | \$ (60,187) |
| Total primary government | \$ 22,574,494 | \$ - | \$ 3,923,944 | \$ 11,722,180 | \$ 274,763 | \$ (6,593,420) | \$ (60,187) | \$ (6,653,607) |
| General Revenues: | | | | | | | | |
| Property taxes for general purposes | | | | | | \$ 6,616,595 | \$ - | \$ 6,616,595 |
| Licenses and permits | | | | | | 68,445 | - | 68,445 |
| Video poker apportionment | | | | | | 15,820 | - | 15,820 |
| Miscellaneous | | | | | | 656,603 | - | 656,603 |
| Interest/investment earnings | | | | | | 1,134,432 | 45,371 | 1,179,803 |
| Local option taxes | | | | | | 1,155,365 | - | 1,155,365 |
| State entitlement | | | | | | 1,242,098 | - | 1,242,098 |
| PILT | | | | | | 837,713 | - | 837,713 |
| State contribution to retirement | | | | | | 137,174 | 20,335 | 157,509 |
| Transfers - net | | | | | | 216,016 | (216,016) | - |
| Total general revenues, special items and transfers | | | | | | \$ 12,080,261 | \$ (150,310) | \$ 11,929,951 |
| Change in net position | | | | | | \$ 5,486,841 | \$ (210,497) | \$ 5,276,344 |
| Net position - beginning | | | | | | \$ 20,645,839 | \$ 4,047,707 | \$ 24,693,546 |
| Net position - end | | | | | | \$ 26,132,680 | \$ 3,837,210 | \$ 29,969,890 |

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2024

| | <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 | \$ 19,636,784 | \$ 6,478,902 | \$ 119,665 | \$ 3,233,561 | \$ 29,468,912 |
| Taxes and assessments receivable, net | 14,497 | - | 165,420 | 174,255 | 354,172 |
| Notes and loans receivable | 377,471 | - | - | - | 377,471 |
| Due from other funds | 462,130 | - | - | - | 462,130 |
| Due from other governments | - | - | 64,298 | 380,478 | 444,776 |
| TOTAL ASSETS | <u>\$ 20,490,882</u> | <u>\$ 6,478,902</u> | <u>\$ 349,383</u> | <u>\$ 3,788,294</u> | <u>\$ 31,107,461</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Warrants payable | \$ 1,192,840 | \$ - | \$ - | \$ - | \$ 1,192,840 |
| Accounts payable | 10,391 | - | - | 6,363 | 16,754 |
| Accrued payroll | 120,301 | 65,172 | 149,168 | 138,038 | 472,679 |
| Due to other funds | - | - | - | 462,130 | 462,130 |
| Revenues collected in advance | 3,658,650 | - | - | 98,482 | 3,757,132 |
| Total liabilities | <u>\$ 4,982,182</u> | <u>\$ 65,172</u> | <u>\$ 149,168</u> | <u>\$ 705,013</u> | <u>\$ 5,901,535</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows of resources - taxes and assessments | \$ 14,497 | \$ - | \$ 165,420 | \$ 174,255 | \$ 354,172 |
| Total deferred inflows of resources | <u>\$ 14,497</u> | <u>\$ -</u> | <u>\$ 165,420</u> | <u>\$ 174,255</u> | <u>\$ 354,172</u> |
| FUND BALANCES | | | | | |
| Restricted | \$ - | \$ 6,413,730 | \$ 34,795 | \$ 3,033,676 | \$ 9,482,201 |
| Committed | - | - | - | 104,191 | 104,191 |
| Unassigned fund balance | 15,494,203 | - | - | (228,841) | 15,265,362 |
| Total fund balance | <u>\$ 15,494,203</u> | <u>\$ 6,413,730</u> | <u>\$ 34,795</u> | <u>\$ 2,909,026</u> | <u>\$ 24,851,754</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 20,490,882</u> | <u>\$ 6,478,902</u> | <u>\$ 349,383</u> | <u>\$ 3,788,294</u> | <u>\$ 31,107,461</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, 2024

| | |
|--|-----------------------------|
| Total fund balances - governmental funds | \$ 24,851,754 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 13,072,521 |
| 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. | 354,172 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | (1,342,092) |
| Net pension and other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | (10,354,916) |
| The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds. | 1,741,114 |
| The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds. | (400,873) |
| 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. | 568,752 |
| The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds. | (2,357,752) |
| Total net position - governmental activities | \$ <u>26,132,680</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, 2024

| | <u>General</u> | <u>Road</u> | <u>Public Safety</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---------------------|-----------------------|---|---|
| REVENUES | | | | | |
| Taxes and assessments | \$ 1,373,768 | \$ - | \$ 3,031,062 | \$ 3,265,470 | \$ 7,670,300 |
| Licenses and permits | 68,445 | - | - | - | 68,445 |
| Intergovernmental | 8,004,696 | 3,087,424 | 233,896 | 2,423,474 | 13,749,490 |
| Charges for services | 320,375 | 90,074 | 314,736 | 459,034 | 1,184,219 |
| Fines and forfeitures | 126,399 | - | - | 36,555 | 162,954 |
| Miscellaneous | 265,794 | 260,488 | 28,075 | 696,307 | 1,250,664 |
| Investment earnings | 747,760 | 330,315 | - | 56,357 | 1,134,432 |
| Total revenues | <u>\$ 10,907,237</u> | <u>\$ 3,768,301</u> | <u>\$ 3,607,769</u> | <u>\$ 6,937,197</u> | <u>\$ 25,220,504</u> |
| EXPENDITURES | | | | | |
| General government | \$ 4,302,250 | \$ 103 | \$ - | \$ 620,948 | \$ 4,923,301 |
| Public safety | 241,458 | - | 4,960,796 | 1,229,551 | 6,431,805 |
| Public works | 27,452 | 3,256,719 | - | 519,447 | 3,803,618 |
| Public health | 346,788 | - | - | 1,525,415 | 1,872,203 |
| Social and economic services | 2,491 | - | - | 180,664 | 183,155 |
| Culture and recreation | - | 2,893 | - | 740,014 | 742,907 |
| Housing and community development | - | - | - | 145,207 | 145,207 |
| Conservation of natural resources | - | - | - | 110,015 | 110,015 |
| Debt service - principal | - | 131,573 | - | - | 131,573 |
| Debt service - interest | - | 18,889 | - | - | 18,889 |
| Miscellaneous | - | - | - | 95,008 | 95,008 |
| Capital outlay | 228,612 | 567,306 | 163,315 | 384,019 | 1,343,252 |
| Total expenditures | <u>\$ 5,149,051</u> | <u>\$ 3,977,483</u> | <u>\$ 5,124,111</u> | <u>\$ 5,550,288</u> | <u>\$ 19,800,933</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 5,758,186</u> | <u>\$ (209,182)</u> | <u>\$ (1,516,342)</u> | <u>\$ 1,386,909</u> | <u>\$ 5,419,571</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | \$ 1,398,133 | \$ - | \$ 625,641 | \$ 259,275 | \$ 2,283,049 |
| Transfers out | (80,416) | (263,668) | (296,862) | (1,426,087) | (2,067,033) |
| Total other financing sources (uses) | <u>\$ 1,317,717</u> | <u>\$ (263,668)</u> | <u>\$ 328,779</u> | <u>\$ (1,166,812)</u> | <u>\$ 216,016</u> |
| Net Change in Fund Balance | <u>\$ 7,075,903</u> | <u>\$ (472,850)</u> | <u>\$ (1,187,563)</u> | <u>\$ 220,097</u> | <u>\$ 5,635,587</u> |
| Fund balances - beginning | \$ 8,418,300 | \$ 6,886,580 | \$ 1,222,358 | \$ 2,688,929 | \$ 19,216,167 |
| Fund balance - ending | <u>\$ 15,494,203</u> | <u>\$ 6,413,730</u> | <u>\$ 34,795</u> | <u>\$ 2,909,026</u> | <u>\$ 24,851,754</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, 2024

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 5,635,587 |
|---|---------------------|

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 | 1,343,252 |
| - Depreciation and amortization expense | (1,216,842) |

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

| | |
|--------------------------------------|----------|
| - Loss on disposal of capital assets | (13,472) |
|--------------------------------------|----------|

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) | 88,058 |
|--|--------|

| | |
|--|-----------|
| The change in compensated absences is shown as an expense in the Statement of Activities | (149,263) |
|--|-----------|

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

| | |
|-------------------------------------|---------|
| - Long-term debt principal payments | 131,573 |
|-------------------------------------|---------|

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 | 10,042 |
|--|--------|

| | |
|---|-------------|
| 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 | (1,139,715) |
|---|-------------|

| | |
|--|--------|
| 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 | 27,289 |
|--|--------|

| | |
|---|---------|
| 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. | 770,332 |
|---|---------|

| | |
|---|----------------------------|
| Change in net position - Statement of Activities | \$ <u>5,486,841</u> |
|---|----------------------------|

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Net Position
Proprietary Fund
June 30, 2024

| | Business-Type Activities - Enterprise Fund |
|---|---|
| | <u>Solid Waste</u> |
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 3,791,943 |
| Taxes and assessments receivable, net | 224,502 |
| Accounts receivable - net | 20,321 |
| Due from other governments | 10,898 |
| Total current assets | <u>\$ 4,047,664</u> |
| Noncurrent assets: | |
| Restricted cash and investments | \$ 1,247,419 |
| Capital assets - land | 850 |
| Capital assets - construction in progress | 397,409 |
| Capital assets - depreciable, net | 958,953 |
| Total noncurrent assets | <u>\$ 2,604,631</u> |
| Total assets | <u>\$ 6,652,295</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - pensions | \$ 104,849 |
| Deferred outflows of resources - OPEB | 77,547 |
| Total deferred outflows of resources | <u>\$ 182,396</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 6,834,691</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accrued payroll | \$ 50,480 |
| Current portion of compensated absences payable | 94,940 |
| Total current liabilities | <u>\$ 145,420</u> |
| Noncurrent liabilities: | |
| Landfill closure postclosure liability | \$ 1,391,523 |
| Other post employment benefits (OPEB) | 277,586 |
| Noncurrent portion of compensated absences | 32,713 |
| Net pension liability | 782,489 |
| Total noncurrent liabilities | <u>\$ 2,484,311</u> |
| Total liabilities | <u>\$ 2,629,731</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions | \$ 46,281 |
| Deferred inflows of resources - OPEB | 321,469 |
| Total deferred inflows of resources | <u>\$ 367,750</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 1,357,212 |
| Restricted for landfill closure/postclosure | 1,247,419 |
| Unrestricted | 1,232,579 |
| Total net position | <u>\$ 3,837,210</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION | <u><u>\$ 6,834,691</u></u> |

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

| | Business-Type Activities - Enterprise Fund |
|--|---|
| | <u>Solid Waste</u> |
| OPERATING REVENUES | |
| Charges for services | \$ 2,427,399 |
| Total operating revenues | \$ <u>2,427,399</u> |
| OPERATING EXPENSES | |
| Personal services | \$ 1,354,702 |
| Supplies | 455,167 |
| Purchased services | 357,122 |
| Fixed charges | 192,380 |
| Depreciation | 150,097 |
| Total operating expenses | \$ <u>2,509,468</u> |
| Operating income (loss) | \$ <u>(82,069)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Intergovernmental revenue | \$ 42,217 |
| Interest revenue | 45,371 |
| Total non-operating revenues (expenses) | \$ <u>87,588</u> |
| Income (loss) before contributions and transfers | \$ 5,519 |
| Transfers out | (216,016) |
| Change in net position | \$ <u>(210,497)</u> |
| Net Position - Beginning of the year | \$ 4,047,707 |
| Net Position - End of the year | \$ <u>3,837,210</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, 2024

| | Business - Type Activities Solid Waste |
|---|---|
| Cash flows from operating activities: | |
| Cash received from providing services | \$ 2,412,550 |
| Cash payments to suppliers | (284,710) |
| Cash payments for professional services | (549,502) |
| Cash payments to employees | (1,194,636) |
| Net cash provided (used) by operating activities | <u>\$ 383,702</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | \$ (182,436) |
| Cash received from capital grants | 10,984 |
| Net cash provided (used) by capital and related financing activities | <u>\$ (171,452)</u> |
| Cash flows from non-capital financing activities: | |
| Transfers to other funds | \$ (216,016) |
| Net cash provided (used) from non-capital financing activities | <u>\$ (216,016)</u> |
| Cash flows from investing activities: | |
| Interest on investments | \$ 45,371 |
| Net cash provided (used) by investing activities | <u>\$ 45,371</u> |
| Net increase (decrease) in cash and cash equivalents | <u>\$ 41,605</u> |
| Cash and cash equivalents at beginning | <u>4,997,757</u> |
| Cash and cash equivalents at end | <u><u>\$ 5,039,362</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (82,069) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation | 150,097 |
| Other post-employment benefits expense | 64,993 |
| Pension expense | 73,473 |
| Landfill closure/postclosure expense | 170,457 |
| Changes in assets and liabilities: | |
| Assessment receivables | (33,818) |
| Accounts receivables | 18,969 |
| Accrued payroll | 9,466 |
| Compensated absence liabilities | 12,134 |
| Net cash provided (used) by operating activities | <u><u>\$ 383,702</u></u> |
| Noncash investing and financing activities: | |
| On behalf public employees retirement system payments | <u>\$ 31,319</u> |

See accompanying notes to the financial statements

Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2024

| | <u>Custodial Funds</u> | |
|---|----------------------------|--|
| | <u>Custodial Funds</u> | <u>External Investment Pool Fund</u> |
| ASSETS | | |
| Cash and short-term investments | \$ 335,102 | \$ 17,160,520 |
| Taxes receivable | 1,121,036 | - |
| Total assets | <u>\$ 1,456,138</u> | <u>\$ 17,160,520</u> |
| LIABILITIES | | |
| Due to others | \$ 2,601,115 | \$ - |
| Total liabilities | <u>\$ 2,601,115</u> | <u>\$ -</u> |
| NET POSITION | | |
| Restricted for: | | |
| Pool participants | \$ - | \$ 17,160,520 |
| Individuals, organizations, and other governments | (1,144,977) | - |
| Total net position | <u>\$ (1,144,977)</u> | <u>\$ 17,160,520</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION | <u>\$ 1,456,138</u> | <u>\$ 17,160,520</u> |

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024

| | Custodial Funds | |
|--|----------------------------|--|
| | Custodial Funds | External Investment Pool Fund |
| ADDITIONS | | |
| Contributions: | | |
| Contributions to external investment pool | \$ - | \$ 8,307,618 |
| Interest and change in fair value of investments | - | 650,593 |
| Taxes, licenses, and fees collected for other governments | 22,206,670 | - |
| Property taxes collected for school districts | 7,092,987 | - |
| Intergovernmental grants and entitlements collected for school districts | 30,110,802 | - |
| Investment pool distribution - net | 383,714 | - |
| Total additions | \$ 59,794,173 | \$ 8,958,211 |
| DEDUCTIONS | | |
| Distributions from external investment pool | \$ - | \$ 9,341,925 |
| Taxes, licenses, and fees distributed to other governments | 22,551,675 | - |
| School district claims and payroll expense | 36,193,042 | - |
| Total deductions | \$ 58,744,717 | \$ 9,341,925 |
| Change in net position | \$ 1,049,456 | \$ (383,714) |
| Net Position - Beginning of the year | \$ (2,194,433) | \$ 17,544,234 |
| Net Position - End of the year | \$ (1,144,977) | \$ 17,160,520 |

See accompanying Notes to the Financial Statements

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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. 100 Accounting Changes and Error Corrections is effective for years beginning after June 15, 2023, and all reporting periods thereafter. This statement's primary objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Related Organizations

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

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

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

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

Public Safety 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 held by the County in a custodial capacity. This fund primarily consists of reporting resources held by the County as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2024, 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 | 475,624 |
| Savings deposits | 32,969,416 |
| Time deposits | 2,938,263 |
| <u>Investments:</u> | |
| State Short-Term Investment Pool (STIP) | 119,554 |
| U.S. Government Securities | 15,498,639 |
| Total | <u>\$ 52,003,896</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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, 2024, (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 | \$ 1,200,441 | A-1+ | 75 |
| Agency or Government Related | 1,254,907 | A-1+ | 67 |
| Asset Backed Commercial Paper | 151,592 | A-1+ | 4 |
| Corporate: | | | |
| Commercial Paper | 495,575 | A-1+ | 39 |
| Notes | 727,551 | A-1+ | 27 |
| Certificates of Deposit | <u>1,485,073</u> | A-1+ | 112 |
| Total Investments | <u>\$ 5,315,139</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, 2024, the government's bank balance was exposed to custodial credit risk as follows:

| | June 30, 2024 <u>Balance</u> |
|--|---------------------------------|
| <u>Depository Account</u> | |
| Insured | \$ 3,980,052 |
| - Collateral held by the pledging bank's trust department but not in the County's name | 33,588,915 |
| - Uninsured & Uncollateralized deposits | <u>1,791,060</u> |
| Total deposits and investments | <u>\$ 39,360,027</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%.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

The amount of collateral held for County deposits at June 30, 2024, equaled or exceeded the amount required by State statutes.

Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2024 alone with their related interest rates and maturity dates.

| Investment | Interest Rate | Maturity | Amount |
|--|---------------|------------|-----------|
| United States Treasury Note/Bond | 1.250% | 8/31/2024 | \$ 34,902 |
| United States Treasury Note/Bond | 3.875% | 3/31/2025 | 32,997 |
| Federal Agricultural Mortgage Corp | 3.200% | 8/26/2027 | 72,784 |
| Federal Agricultural Mortgage Corp | 4.500% | 12/4/2026 | 39,952 |
| Federal Farm Credit Banks Funding Corp | 1.600% | 12/14/2026 | 18,553 |
| Federal Farm Credit Banks Funding Corp | 1.820% | 4/6/2026 | 14,305 |
| Federal Farm Credit Banks Funding Corp | 1.820% | 12/18/2025 | 47,854 |
| Federal Farm Credit Banks Funding Corp | 2.630% | 8/3/2026 | 33,906 |
| Federal Farm Credit Banks Funding Corp | 4.250% | 3/20/2028 | 15,067 |
| Federal Farm Credit Banks Funding Corp | 0.680% | 6/10/2025 | 114,800 |
| Federal Home Loan Banks | 4.375% | 6/12/2026 | 19,879 |
| Federal Home Loan Banks | 4.500% | 3/9/2029 | 50,910 |
| Federal Home Loan Banks | 4.500% | 6/11/2027 | 29,992 |
| Federal Home Loan Banks | 4.625% | 12/13/2024 | 34,954 |
| Federal Home Mortgage Corp | 1.500% | 2/12/2025 | 16,708 |
| Federal National Mortgage Association | 0.500% | 11/7/2025 | 9,431 |
| United States Treasury Note/Bond | 1.250% | 8/31/2024 | 29,916 |
| United States Treasury Note/Bond | 2.250% | 12/31/2024 | 27,895 |
| United States Treasury Note/Bond | 3.875% | 3/31/2025 | 29,998 |
| United States Treasury Note/Bond | 4.250% | 9/30/2024 | 35,277 |
| Federal Agricultural Mortgage Corp | 3.200% | 8/26/2027 | 67,932 |
| Federal Agricultural Mortgage Corp | 4.500% | 12/4/2026 | 39,952 |
| Federal Farm Credit Banks Funding Corp | 1.210% | 3/3/2025 | 83,107 |
| Federal Farm Credit Banks Funding Corp | 1.600% | 12/14/2026 | 13,916 |
| Federal Farm Credit Banks Funding Corp | 1.820% | 4/6/2026 | 14,306 |
| Federal Farm Credit Banks Funding Corp | 1.820% | 12/18/2025 | 47,855 |
| Federal Farm Credit Banks Funding Corp | 3.320% | 2/25/2026 | 64,153 |
| Federal Farm Credit Banks Funding Corp | 4.250% | 3/20/2028 | 15,067 |
| Federal Farm Credit Banks Funding Corp | 4.750% | 5/28/2026 | 25,083 |
| Federal Farm Credit Banks Funding Corp | 0.500% | 5/14/2025 | 7,689 |
| Federal Farm Credit Banks Funding Corp | 0.680% | 6/10/2025 | 114,800 |
| Federal Home Loan Banks | 1.875% | 9/11/2026 | 14,205 |
| Federal Home Loan Mortgage Corp | 0.300% | 12/29/2023 | 40,728 |
| Federal National Mortgage Association | 1.875% | 9/24/2026 | 9,454 |
| Federal National Mortgage Association Note | 0.720% | 7/9/2025 | 478,455 |
| Federal National Mortgage Association Note | 0.650% | 7/30/2025 | 478,459 |
| Federal Home Loan Banks Debenture | 4.100% | 8/8/2025 | 492,632 |
| Federal National Mortgage Association Note | 0.650% | 8/25/2025 | 476,793 |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

| | | | |
|---|--------|------------|----------------------|
| Federal National Mortgage Association Medium Term Note | 4.200% | 8/28/2025 | 502,405 |
| Federal National Mortgage Association Note | 0.625% | 8/28/2025 | 476,407 |
| Federal Home Loan Banks Debenture | 4.670% | 9/30/2025 | 502,293 |
| Federal National Mortgage Association Medium Term Note | 0.570% | 10/8/2025 | 473,129 |
| Federal National Mortgage Association Note | 0.580% | 10/20/2025 | 472,364 |
| Federal Farm Credit Banks Debenture | 3.370% | 12/8/2025 | 244,785 |
| Federal National Mortgage Association Medium Term Note | 5.450% | 12/23/2025 | 500,675 |
| Federal Home Loan Banks Debenture | 0.660% | 2/25/2026 | 467,887 |
| Federal Home Loan Banks Debenture | 0.660% | 2/25/2026 | 465,595 |
| Federal Farm Credit Banks Debenture | 0.840% | 3/2/2026 | 469,652 |
| Federal National Mortgage Association Medium Term Note | 4.500% | 3/27/2026 | 501,552 |
| Federal Home Loan Banks Debenture | 1.000% | 3/30/2026 | 468,700 |
| Federal Home Loan Banks Debenture | 1.050% | 4/29/2026 | 467,675 |
| Federal Farm Credit Banks Debenture | 0.940% | 9/28/2026 | 460,251 |
| Federal Home Loan Banks Debenture | 1.000% | 9/30/2026 | 460,625 |
| Federal Home Loan Banks Debenture | 1.100% | 10/13/2026 | 460,661 |
| Federal Home Loan Banks Debenture | 1.250% | 10/26/2026 | 461,566 |
| Federal Home Loan Banks Debenture | 1.500% | 12/3/2026 | 463,675 |
| Federal Home Loan Banks Debenture | 1.500% | 12/3/2026 | 462,550 |
| Federal Home Loan Banks Debenture | 2.080% | 2/25/2027 | 470,786 |
| Federal Home Loan Banks Debenture | 2.860% | 3/29/2027 | 403,162 |
| Federal Home Loan Banks Debenture | 3.000% | 4/21/2027 | 480,500 |
| Federal Farm Credit Banks Debenture | 5.390% | 5/18/2027 | 246,117 |
| Federal Home Loan Banks Debenture | 4.300% | 7/28/2027 | 501,783 |
| Federal Home Loan Mortgage Corporation Medium Term Note | 5.500% | 12/28/2027 | 249,492 |
| Federal Home Loan Mortgage Corporation Medium Term Note | 5.000% | 1/26/2028 | 250,093 |
| Federal Home Loan Banks Debenture | 5.750% | 2/28/2029 | 249,277 |
| Federal Home Loan Banks Debenture | 5.600% | 4/11/2029 | 247,489 |
| Federal Home Loan Banks Debenture | 6.000% | 6/11/2029 | 249,338 |
| Federal Home Loan Banks Debenture | 5.750% | 6/12/2029 | 85,181 |
| Federal National Mortgage Association Medium Term Note | 4.000% | 3/14/2025 | 88,308 |
| STIP | 5.396% | N/A | 119,554 |
| Total | | | <u>\$ 15,618,193</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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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, 2024 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, 2024.

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, 2024.

Statement of Net Position

Net position held in trust for all pool participants:

| | |
|--------------------------------------|----------------------|
| Equity of internal pool participants | \$ 31,776,764 |
| Equity of external pool participants | 17,160,520 |
| Total equity | <u>\$ 48,937,284</u> |

Condensed Statement of Changes in Net Position

| | External | Internal |
|-----------------------------------|----------------------|----------------------|
| Investment earnings | \$ 650,593 | \$ 1,191,735 |
| Contributions to trust | 8,307,618 | 17,903,749 |
| Distributions paid | <u>(9,341,925)</u> | <u>(13,107,285)</u> |
| Net change in net position | \$ (383,714) | \$ 5,988,199 |
| Net position at beginning of year | <u>17,544,234</u> | <u>25,788,565</u> |
| Net position at end of year | <u>\$ 17,160,520</u> | <u>\$ 31,776,764</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2024. 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 | \$ 577,851 |
| Solid Waste | Landfill Post Closure | <u>669,568</u> |
| Total | | <u>\$1,247,419</u> |

NOTE 4. RECEIVABLES

Tax Receivables

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

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

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

NOTE 5. INVENTORIES AND PREPAIDS

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. CAPITAL ASSETS

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

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

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

Governmental activities:

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|-----------------------------|--------------------------|---------------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 609,651 | \$ - | \$ - | \$ 609,651 |
| Construction in progress | 3,122,766 | 256,256 | - | 3,379,022 |
| Total capital assets not being depreciated | <u>\$ 3,732,417</u> | <u>\$ 256,256</u> | <u>\$ -</u> | <u>\$ 3,988,673</u> |
| Other capital assets: | | | | |
| Buildings | \$ 5,203,338 | \$ 158,044 | \$ - | \$ 5,361,382 |
| Improvements other than buildings | 11,386,922 | - | - | 11,386,922 |
| Machinery and equipment | 13,248,380 | 928,952 | (264,310) | 13,913,022 |
| Infrastructure | 1,935,106 | - | - | 1,935,106 |
| Total other capital assets at historical cost | <u>\$ 31,773,746</u> | <u>\$ 1,086,996</u> | <u>\$ (264,310)</u> | <u>\$ 32,596,432</u> |
| Less: accumulated depreciation | <u>(23,130,800)</u> | <u>(1,030,722)</u> | <u>250,838</u> | <u>(23,910,684)</u> |
| Total | <u><u>\$ 12,375,363</u></u> | <u><u>\$ 312,530</u></u> | <u><u>\$ (13,472)</u></u> | <u><u>\$ 12,674,421</u></u> |

Governmental activities depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 179,847 |
| Public safety | 217,251 |
| Public works | 514,357 |
| Culture and recreation | 11,362 |
| Housing and community development | 107,905 |
| Total governmental activities depreciation expense | <u>\$ 1,030,722</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

Business-type activities:

| | Balance <u>July 1, 2023</u> | <u>Additions</u> | Balance <u>June 30, 2024</u> |
|---|--------------------------------|-------------------------|---------------------------------|
| Capital assets not being depreciated: | | | |
| Land | \$ 850 | \$ - | \$ 850 |
| Construction in progress | 361,523 | 35,886 | 397,409 |
| Total capital assets not being depreciated | <u>\$ 362,373</u> | <u>\$ 35,886</u> | <u>\$ 398,259</u> |
| Other capital assets: | | | |
| Buildings | \$ 303,740 | \$ - | \$ 303,740 |
| Improvements other than buildings | 152,201 | - | 152,201 |
| Machinery and equipment | 2,894,423 | 146,550 | 3,040,973 |
| Total other capital assets at historical cost | <u>\$ 3,350,364</u> | <u>\$ 146,550</u> | <u>\$ 3,496,914</u> |
| Less: accumulated depreciation | <u>(2,387,864)</u> | <u>(150,097)</u> | <u>(2,537,961)</u> |
| Total | <u><u>\$ 1,324,873</u></u> | <u><u>\$ 32,339</u></u> | <u><u>\$ 1,357,212</u></u> |

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities – During the year ended June 30, 2024, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

| | Balance <u>July 1, 2023</u> | <u>Additions</u> | Balance <u>June 30, 2024</u> | Due Within <u>One Year</u> |
|----------------------|--------------------------------|-------------------|---------------------------------|-------------------------------|
| Compensated absences | \$ 886,150 | \$ 149,263 | \$ 1,035,413 | \$ 793,858 |
| Total | <u>\$ 886,150</u> | <u>\$ 149,263</u> | <u>\$ 1,035,413</u> | <u>\$ 793,858</u> |

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

Business-type Activities:

| | Balance <u>July 1, 2023</u> | <u>Additions</u> | Balance <u>June 30, 2024</u> | Due Within <u>One Year</u> |
|------------------------------|--------------------------------|-------------------|---------------------------------|-------------------------------|
| Compensated absences | \$ 115,519 | \$ 12,134 | \$ 127,653 | \$ 94,940 |
| Landfill Closure/Postclosure | 1,221,066 | 170,457 | 1,391,523 | - |
| Total | <u>\$ 1,336,585</u> | <u>\$ 182,591</u> | <u>\$ 1,519,176</u> | <u>\$ 94,940</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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 \$1,391,523 reported as landfill closure and postclosure liability at June 30, 2024, represents the cumulative amount reported to date based on the use of 94.54% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$80,298 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2024. 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 1 year 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, 2024, Lincoln County demonstrated its ability to handle closure and postclosure care costs by depositing in restricted investment accounts. The investment cash balance was \$1,247,419 as of June 30, 2024.

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 2022 Cat Excavator, and one 2020 Tire Compactor.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Governmental Activities

Lease Assets:

| | Balance July 1, 2023 | Additions | Balance June 30, 2024 |
|---|-------------------------|--------------|--------------------------|
| Leased assets being amortized: | | | |
| Machinery and equipment | \$ 930,610 | \$ - | \$ 930,610 |
| Total capital assets not being depreciated | \$ 930,610 | \$ - | \$ 930,610 |
| Less accumulated amortization for: | | | |
| Machinery and equipment | \$ (346,390) | \$ (186,120) | \$ (532,510) |
| Total accumulated amortization | \$ (346,390) | \$ (186,120) | \$ (532,510) |
| Total Governmental Activities Lease Assets, Net | \$ 584,220 | \$ (186,120) | \$ 398,100 |

The Total County's leased assets are recorded at a cost of \$930,610, less accumulated amortization of \$532,510. 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 | 12,136 | 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 |
| 2020 Tire Compactor | 9/13/2017 | 3.94% | 5 yrs | 9/13/2022 | 13,042 | 60,450 |
| 2022 CAT 315-07 Hydraulic Excavator | 1/3/2023 | 6.99% | 5 yrs | 12/31/2027 | 42,102 | 184,744 |
| | | | | | Subtotal | \$ 700,566 |

| Description | Balance July 1, 2022 | Principal Reductions | Balance June 30, 2023 | Amount Within 1 Year |
|---|-------------------------|-------------------------|--------------------------|-------------------------|
| 2021 CAT 938M Small Wheel Loader - P5K02210 | \$ 39,788 | \$ (12,874) | \$ 26,914 | \$ 13,259 |
| 2021 CAT 938M Small Wheel Loader - P5K02204 | 39,788 | (12,874) | 26,914 | 13,259 |
| 2021 CAT 316FL Hydraulic Excavator | 34,337 | (11,110) | 23,227 | 11,442 |
| 2021 CAT 938M Small Wheel Loader - P5K02208 | 39,788 | (12,874) | 26,914 | 13,259 |
| 2021 CAT 938M Small Wheel Loader - P5K02212 | 39,788 | (12,874) | 26,914 | 13,259 |
| 2021 CAT 938M Small Wheel Loader - P5K02203 | 39,788 | (12,874) | 26,914 | 13,259 |
| 2021 CAT 938M Small Wheel Loader - P5K02209 | 39,788 | (12,874) | 26,914 | 13,259 |
| 2020 Tire Compactor | 22,545 | (11,087) | 11,458 | 11,458 |
| 2022 CAT 315-07 Hydraulic Excavator | 142,642 | (32,132) | 110,510 | 34,378 |
| | \$ 438,252 | \$ (131,573) | \$ 306,679 | \$ 136,832 |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

The future lease payments under lease agreements are as follow:

| For Fiscal Year Ended | Principal | Interest |
|--------------------------|-------------------|------------------|
| 2025 | \$ 136,832 | \$ 13,631 |
| 2026 | 130,496 | 8,122 |
| 2027 | 39,351 | 2,751 |
| Total | \$ <u>306,679</u> | \$ <u>24,504</u> |

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, 2024, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries receiving benefit payments | 11 |
| Active employees | <u>123</u> |
| Total employees | <u>134</u> |

Total OPEB Liability

The County's total OPEB liability of \$2,313,484 at June 30, 2024, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2024.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2024 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

| | |
|--|-------|
| Average age of retirement (based on historical data) | 61.73 |
| Discount rate (average anticipated rate) | 4.34% |
| Average salary increase (Consumer Price Index) | 3.50% |
| <u>Health care cost rate trend (Federal Office of the Actuary)</u> | |

| <u>Plan Year</u> | <u>Medical</u> | <u>Pre-65 Rx</u> | <u>Post-65 Rx</u> |
|------------------|----------------|------------------|-------------------|
| 2024* | 4.0% | 4.0% | 4.0% |
| 2025* | 6.6% | 7.4% | 9.0% |
| 2026 | 6.3% | 6.5% | 1.5% |
| 2027 | 5.6% | 5.2% | 1.2% |
| 2028 | 5.5% | 5.1% | 2.9% |
| 2029 | 5.4% | 5.1% | 3.0% |
| 2030 | 5.3% | 5.1% | 3.2% |
| 2031 | 5.2% | 5.1% | 4.1% |
| 2032 | 5.1% | 5.0% | 4.6% |
| 2033 | 5.0% | 5.0% | 5.0% |
| 2034 | 4.7% | 4.7% | 4.7% |
| 2035-2047 | 4.6% | 4.6% | 4.6% |
| 2048-2065 | 4.5% | 4.5% | 4.5% |
| 2066-2067 | 4.4% | 4.4% | 4.4% |
| 2068-2069 | 4.3% | 4.3% | 4.3% |
| 2070-7072 | 4.2% | 4.2% | 4.2% |
| 2073-2074 | 4.1% | 4.1% | 4.1% |
| 2075+ | 4.0% | 4.0% | 4.0% |

*trend based on actual increase

Participation

- 40.0% of future retirees are assumed to elect medical coverage.
- 70.0% of the future retirees who elect medical coverage and are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

Mortality – Contributing Members

For general MPERA members, mortality follows the Pub-2010 General Employee table, projected generationally using MP-2021.

For SRS members mortality follows the Pub-2010 Safety table, projected generationally using MP-2021.

Mortality – Retired

For general MPERA retirees, mortality follows the Pub-2010 General Retiree table set forward 1 year and adjusted 104% for males, or adjusted 103% for females, projected generationally using MP-2021.

For SRS retirees, mortality follows the Pub-2010 Safety Retiree table set forward 1 year and adjusted 105% for males, or adjusted 100% for females, projected generationally using MP-2021.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Mortality – Surviving Beneficiaries

For general MPERA survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males and females, projected generationally using MP-2021.

For SRS survivors, mortality follows the Pub-2010 Contingent Survivor table set forward 1 year for males, projected generationally using MP-2021.

Mortality – Disabled

For disabled MPERA members, mortality follows the Pub-2010 General Disabled table set forward 1 year for males and females, projected generationally using MP-2021.

For SRS retirees, mortality follows the Pub-2010 Safety Disabled table set forward 1 year for males, projected generationally using MP-2021.

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 6/30/2023 | \$ <u>2,984,786</u> |
| Changes for the year: | |
| Service Cost | \$ 181,815 |
| Interest | 127,006 |
| Differences in experience | (383,660) |
| Change in assumptions | (544,188) |
| Benefit payments | <u>(52,275)</u> |
| Net Changes | \$ <u>(671,302)</u> |
| Balance at 6/30/2024 | \$ <u><u>2,313,484</u></u> |

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

| | 1% Decrease (3.34%) | Discount Rate (4.34%) | 1% Increase (5.34%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability \$ | <u>2,785,978</u> | <u>\$ 2,313,484</u> | <u>\$ 1,949,045</u> |

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 \$ | <u>1,911,658</u> | <u>\$ 2,313,484</u> | <u>\$ 2,841,629</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

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

For the year ended June 30, 2024, the County recognized an OPEB expense of \$(671,302).

At June 30, 2024, 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 | \$ 330,561 | 521,043 |
| Changes in actuarial assumptions | 315,738 | 2,158,178 |
| Total | \$ <u>646,299</u> | \$ <u>2,679,221</u> |

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

| OPEB: Year ended June 30: | Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense |
|------------------------------|--|
| 2025 | \$ (197,585) |
| 2026 | \$ (197,585) |
| 2027 | \$ (197,585) |
| 2028 | \$ (197,585) |
| 2029 | \$ (199,209) |
| Thereafter | \$ <u>(1,043,373)</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 11. NET PENSION LIABILITY (NPL)

As of June 30, 2024, 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 | \$ 6,061,010 | \$ 3,040,497 | \$ 9,101,507 |
| Deferred outflows of resources* | \$ 812,137 | \$ 1,033,826 | \$ 1,845,963 |
| Deferred inflows of resources | \$ 358,481 | \$ 88,673 | \$ 447,154 |
| Pension expense | \$ 676,287 | \$ 647,333 | \$ 1,323,620 |

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$555,359, and \$286,671, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2024.

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

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 a 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.
- 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;

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

- 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.

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%;

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

- 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.

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 |
| 2024 | 7.900% | 7.900% | 9.070% | 0.100% |
| 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 \$34,979,900.

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 Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

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, 2024, and 2023, 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 \$6,061,010 and the County's proportionate share was 0.248366 percent.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

| | Net Pension Liability as of 6/30/2024 | Net Pension Liability as of 6/30/2023 | Percent of Collective NPL as of 6/30/2024 | Percent of Collective NPL as of 6/30/2023 | Change in Percent of Collective NPL |
|--|---|---|---|---|---|
| Employer Proportionate Share | \$ 6,061,010 | \$ 6,179,059 | 0.248366% | 0.259855% | -0.011489% |
| State of Montana Proportionate Share associated with Employer | 1,678,939 | 1,848,588 | 0.068799% | 0.077741% | 0.008942% |
| Total | <u>\$ 7,739,949</u> | <u>\$ 8,027,647</u> | <u>0.317165%</u> | <u>0.337596%</u> | <u>-0.002547%</u> |

Changes in actuarial assumptions and methods:

There have been no changes to the assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

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, 2024, the County recognized a Pension Expense of \$518,778 for its proportionate share of the pension expense. The County also recognized grant revenue of \$157,509 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 6/30/24 | Pension Expense as of 6/30/23 |
|--|----------------------------------|----------------------------------|
| Employer Proportionate Share | \$ 518,778 | \$ 862,811 |
| State of Montana Proportionate Share associated with the Employer | 157,509 | 191,607 |
| Total | <u>\$ 676,287</u> | <u>\$ 1,054,418</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$489,749.

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, 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 | \$ 241,400 | \$ - |
| Actual vs. Expected Investment Earnings | 15,378 | - |
| Changes in Assumptions | - | 216,182 |
| Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions | - | 142,299 |
| Employer contributions subsequent to the measurement date - FY24* | 555,359 | - |
| Total | <u>\$ 812,137</u> | <u>\$ 358,481</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, 2024.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 |
|--|---|
| 2024 | \$ (216,760) |
| 2025 | \$ (206,551) |
| 2026 | \$ 358,397 |
| 2027 | \$ (36,787) |
| Thereafter | \$ - |

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2023 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 4.80%

Postretirement Benefit Increases - Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% 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

- Mortality assumptions among contributing members, service retired members and beneficiaries based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on 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, 2024, 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, 2024, are summarized in the following table.

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 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 (6.30%) | Current Discount Rate | 1.0% Increase (8.30%) |
|--------------------------|--------------------------|--------------------------|
| \$ 8,755,107 | \$ 6,061,010 | \$ 3,800,904 |

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.

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

At the plan level for the measurement period ended June 30, 2023, 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 348 employers that have participants in the PERS-DCRP totaled \$1,409,309.

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 <https://mpera.mt.gov/about/annualreports1/annualreports>.

Sheriff's Retirement System

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Summary of Benefits

Service retirement:

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

Early retirement:

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

Second Retirement:

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

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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> |
|---------------------------|----------------------|------------------------|
| 2018-2024 | 10.495% | 13.115% |
| 2010-2017 | 9.245% | 10.115% |
| 2008-2009 | 9.245% | 9.825% |
| 1998-2007 | 9.2.45% | 9.535% |

For reporting date June 30, 2025: During the 2023 Legislative session, House Bill 569 was signed into law which states that an actuarially determined contribution will be developed and contributed beginning fiscal year end 2025. The new policy will use a layered amortization approach with a 25-year closed amortization period for the legacy unfunded liability and 10-year closed amortization period for contemporary unfunded liabilities for SRS. For July 1, 2024 and after, contribution rates are actuarially determined beginning with the June 30, 2023 actuarial valuation and applying to the year beginning July 1, 2024 and ending June 30, 2025. For July 1, 2024 through June 30, 2025, the contribution rate will be 12.074%. This rate may not exceed last year's statutory rate of 13.115% by more than the statutory rate increase limit of 0.500%. This is a change in actuarial methods.

For reporting date June 30, 2025: House Bill 569 also provides a one-time appropriation of general fund dollars to the SRS of \$26.8 million.

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 Total Pension Liability (TPL). The basis for the TPL for the reporting of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, 2024, and 2023, 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 \$3,040,497 and the County's proportionate share was 2.0685 percent.

| | Net Pension Liability as of 6/30/2024 | Net Pension Liability as of 6/30/2023 | Percent of Collective NPL as of 6/30/2024 | Percent of Collective NPL as of 6/30/2023 | Change in Percent of Collective NPL |
|------------------------------|---|---|---|---|---|
| Employer Proportionate Share | \$ 3,040,497 | \$ 2,920,546 | 2.0685% | 2.1330% | -0.0645% |
| Total | \$ 3,040,497 | \$ 2,920,546 | 2.0685% | 2.1330% | -0.0645% |

Changes in actuarial assumptions and methods:

There have been no changes to the actuarial assumptions or other inputs that affected the measurement of the TPL since the previous measurement date.

Changes in benefit terms:

The change in benefit terms since the previous measurement date:

- Effective July 1, 2023, the retirement eligibility criteria for new hires first entering the system on or after July 1, 2023, changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

Changes in proportionate share:

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

Pension Expense:

At June 30, 2024, the County recognized a Pension Expense of \$647,333 for its proportionate share of the pension expense.

| | Pension Expense as of 6/30/24 | Pension Expense as of 6/30/23 |
|------------------------------|----------------------------------|----------------------------------|
| Employer Proportionate Share | \$ 647,333 | \$ 553,637 |
| Total | \$ 647,333 | \$ 553,637 |

Recognition of Beginning Deferred Outflow

At June 30, 2024, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2023 contributions of \$277,930.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Recognition of Deferred Inflows and Outflows:

At June 30, 2024, 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 | \$ 480,565 | \$ - |
| Actual vs. Expected Investment Earnings | 21,602 | - |
| Changes in Assumptions | 244,988 | 45,476 |
| Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions | - | 43,197 |
| Employer contributions subsequent to the measurement date - FY24* | 286,671 | - |
| Total | <u>\$ 1,033,826</u> | <u>\$ 88,673</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, 2024.

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 |
|--|---|
| 2024 | \$ 335,614 |
| 2025 | \$ 141,060 |
| 2026 | \$ 204,100 |
| 2027 | \$ (22,292) |
| Thereafter | \$ - |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2023 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, 2207

Mortality

- Mortality assumptions among contributing members are based on PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females projected generationally using MP-2021.
- Mortality assumptions among Disabled members are based on PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for males.
- Mortality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and projected generationally using MP-2021.
- Mortality assumptions among Healthy members are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 105% for males. 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, 2024, 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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, 2021, are summarized in the following table.

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return Arithmetic Basis</u> |
|-----------------------|--------------------------------|--|
| Cash | 3.00% | (0.33%) |
| Domestic Equity | 30.00% | 5.90% |
| International Equity | 17.00% | 7.14% |
| Private Investments | 15.00% | 9.13% |
| Real Assets | 5.00% | 4.03% |
| Real Estate | 9.00% | 5.41% |
| Core Fixed Income | 15.00% | 1.14% |
| Non-Core Fixed Income | 6.00% | 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 (6.30%) | Current Discount Rate | 1.0% Increase (8.30%) |
|--------------------------|--------------------------|--------------------------|
| \$ 4,939,237 | \$ 3,040,497 | \$ 1,495,376 |

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>.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2024, 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 balance | PILT* – Major Governmental | Sheriff Contracts – Nonmajor Governmental | \$ 2,553 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Western States – Nonmajor Governmental | 36,298 |
| To clear Deficit Cash balance | PILT* – Major Governmental | DNRC – Nonmajor Governmental | 25,916 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Homeland Security – Nonmajor Governmental | 34,829 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Communication Mountain Tops – Nonmajor Governmental | 64,138 |
| To clear Deficit Cash balance | PILT* – Major Governmental | CDBG – Nonmajor Governmental | 16,395 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Partnership for Success – Nonmajor Governmental | 68,310 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Disaster/Flood – Nonmajor Governmental | 6 |
| To clear Deficit Cash balance | PILT* – Major Governmental | CIT – Nonmajor Governmental | 64,872 |
| To clear Deficit Cash balance | PILT* – Major Governmental | DIS/CLC – Nonmajor Governmental | 4,894 |
| To clear Deficit Cash balance | PILT* – Major Governmental | ARPA Port – Nonmajor Governmental | 3,420 |
| To clear Deficit Cash balance | PILT* – Major Governmental | ARPA Competitive – Nonmajor Governmental | 135,350 |
| To clear Deficit Cash balance | PILT* – Major Governmental | Eureka Airport Construction – Nonmajor Governmental | <u>3,149</u> |
| | | | <u>\$ 462,130</u> |

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2024:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---|---|---------------------|
| Permissive Levy | Public Safety – Major Governmental | Permissive Sheriff Retirement – Nonmajor Governmental | \$ 81,902 |
| Permissive Levy | General Fund – Major Governmental | Permissive Medical Levy – Nonmajor Governmental | 621,587 |
| Permissive Levy | Noxious Weed – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 19,632 |
| Permissive Levy | District Court – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 52,335 |
| Permissive Levy | Library – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 53,859 |
| Permissive Levy | Planning – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 19,626 |
| Permissive Levy | Public Health – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 21,664 |
| Permissive Levy | Public Safety – Major Governmental | Permissive Medical Levy – Nonmajor Governmental | 543,739 |
| Permissive Levy | County Park-Library – Nonmajor Governmental | Permissive Medical Levy – Nonmajor Governmental | 1,743 |
| Future capital improvements | Library Depreciation | Library – Nonmajor Governmental | 10,000 |
| Cost Allocation Plan | General Fund – Major Governmental | Road – Major Governmental | 263,668 |
| Cost Allocation Plan | General Fund – Major Governmental | Public Safety – Major Governmental | 296,862 |
| Cost Allocation Plan | General Fund – Major Governmental | Solid Waste – Major Governmental | 216,016 |
| Operating | EMPG – Nonmajor Governmental | General Fund – Major Governmental | <u>80,416</u> |
| | | | <u>\$ 2,283,049</u> |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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 | \$ 6,413,730 | Road Repair, maintenance and supplies |
| Public Safety | 34,795 | Law Enforcement, emergency services, and supplies |
| All Other Aggregate | 33,089 | Employer costs of benefits |
| | 224,208 | General Government administration and services |
| | 784,213 | Law Enforcement, emergency services, and supplies |
| | 568,652 | Road Repair, maintenance and supplies |
| | 620,909 | Public Health Services and Supplies |
| | 70,085 | Noxious Weed Management |
| | 4,684 | Animal Control |
| | 271,870 | Economic development |
| | 16,653 | Social and Economic Services and travel |
| | 177,743 | Culture and recreation |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

| | |
|---------------------|--|
| 66,958 | Parks and recreation services and supplies |
| 178,843 | Conservation of Natural Resources |
| <u>15,719</u> | Miscellaneous |
| <u>\$ 9,482,201</u> | |

Committed Fund Balance

| <u>Major Fund</u> | <u>Amount</u> | <u>Purpose of Commitment</u> |
|---------------------|-------------------|--|
| All Other Aggregate | \$ <u>104,191</u> | Constructions 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 | \$ (4,967) | Accrued Payroll |
| Public Health | (17,944) | Accrued Payroll |
| Public Health Preparedness | (2,244) | Accrued Payroll |
| Noxious Weed Grant | (2,510) | Accrued Payroll |
| Western States | (36,298) | Deficit Cash resulting in a loan from other funds |
| DNRC | (3,916) | Deficit Cash resulting in a loan from other funds |
| Homeland Security | (25,638) | Accrued Payroll and Deficit cash resulting in a loan from other funds |
| Communications Mountain Tops | (41,175) | Deficit Cash resulting in a loan from other funds |
| CDBG | (16,395) | Deficit Cash resulting in a loan from other funds |
| Disaster/Flood | (6) | Deficit Cash resulting in a loan from other funds |
| DIS/CLC | (4,894) | Deficit Cash resulting in a loan from other funds |
| ARPA Port | (3,420) | Deficit Cash resulting in a loan from other funds |
| ARPA Planning | (141) | Deficit Cash resulting in a loan from other funds larger than the due from other governments |
| Eureka Airport Construction | (5,149) | Deficit Cash resulting in a loan from other funds |

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

| | | |
|-------------------|---------------------|---|
| Sheriff Contracts | (5,170) | Accrued Payroll and Deficit cash resulting in a loan from other funds |
| ICT | <u>(58,974)</u> | Deficit Cash resulting in a loan from other funds |
| | <u>\$ (228,841)</u> | |

NOTE 16. 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.

NOTE 17. SERVICES PROVIDED FROM OTHER GOVERNMENTS

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

NOTE 18. RISK MANAGEMENT

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

Property and Casualty Insurance

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

PCT Coverage Includes:

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

Workers Compensation Insurance

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

Health Care Insurance

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

NOTE 19. PENDING LITIGATION

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

| <u>Case</u> | <u>Damages Requested</u> | <u>Potential of Loss</u> |
|--|--------------------------|--------------------------|
| <i>James Anderson v. Lincoln County DV-22-151</i> | <i>Unknown</i> | <i>Unknown</i> |
| <i>Paula Buff v. Lincoln County DV-24-41</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>Magnolia, LLC v. Lincoln County</i> | <i>Unknown</i> | <i>Unknown</i> |
| <i>Torgison V. Lincoln County et al.</i> | <i>Unknown</i> | <i>Unknown</i> |
| <i>Steiger v Black et al DR-24-187</i> | <i>Unknown</i> | <i>Unknown</i> |

REQUIRED SUPPLEMENTARY INFORMATION

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

| | General | | | |
|--|-------------------------|---------------------|--|---|
| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A | VARIANCE WITH FINAL BUDGET |
| | ORIGINAL | FINAL | | |
| RESOURCES (INFLOWS): | | | | |
| Taxes and assessments | \$ 311,487 | \$ 311,487 | \$ 1,373,768 | \$ 1,062,281 |
| Licenses and permits | 51,500 | 51,500 | 68,445 | 16,945 |
| Intergovernmental | 1,366,398 | 1,366,398 | 1,469,233 | 102,835 |
| Charges for services | 297,799 | 297,799 | 320,375 | 22,576 |
| Fines and forfeitures | 90,150 | 90,150 | 126,399 | 36,249 |
| Miscellaneous | 13,000 | 13,000 | 248,417 | 235,417 |
| Investment earnings | 3,000 | 3,000 | 747,271 | 744,271 |
| Amounts available for appropriation | <u>\$ 2,133,334</u> | <u>\$ 2,133,334</u> | <u>\$ 4,353,908</u> | <u>\$ 2,220,574</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| General government | \$ 4,168,993 | \$ 4,168,993 | \$ 4,096,772 | \$ 72,221 |
| Public safety | 209,448 | 209,448 | 203,435 | 6,013 |
| Public works | 26,000 | 26,000 | 27,452 | (1,452) |
| Public health | 427,937 | 427,937 | 345,504 | 82,433 |
| Social and economic services | 2,255 | 2,255 | 2,491 | (236) |
| Capital outlay | - | - | 18,594 | (18,594) |
| Total charges to appropriations | <u>\$ 4,834,633</u> | <u>\$ 4,834,633</u> | <u>\$ 4,694,248</u> | <u>\$ 140,385</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 621,587 | \$ 621,587 | \$ 2,035,091 | \$ 1,413,504 |
| Transfers out | - | - | (80,416) | (80,416) |
| Total other financing sources (uses) | <u>\$ 621,587</u> | <u>\$ 621,587</u> | <u>\$ 1,954,675</u> | <u>\$ 1,333,088</u> |
| Net change in fund balance | | | <u>\$ 1,614,335</u> | |
| Fund balance - beginning of the year | | | <u>\$ 1,292,689</u> | |
| Fund balance - end of the year | | | <u>\$ 2,907,024</u> | |

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

| | Road | | | |
|--|-------------------------|---------------------|--|---|
| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A | VARIANCE WITH FINAL BUDGET |
| | ORIGINAL | FINAL | | |
| RESOURCES (INFLOWS): | | | | |
| Intergovernmental | \$ - | \$ - | \$ 3,087,424 | \$ 3,087,424 |
| Charges for services | 60,000 | 60,000 | 90,074 | 30,074 |
| Miscellaneous | - | - | 260,488 | 260,488 |
| Investment earnings | - | - | 330,315 | 330,315 |
| Amounts available for appropriation | <u>\$ 60,000</u> | <u>\$ 60,000</u> | <u>\$ 3,768,301</u> | <u>\$ 3,708,301</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| General government | \$ - | \$ - | \$ 103 | \$ (103) |
| Public works | 3,693,362 | 3,693,362 | 3,256,719 | 436,643 |
| Culture and recreation | - | - | 2,893 | (2,893) |
| Debt service - principal | 25,000 | 25,000 | 131,573 | (106,573) |
| Debt service - interest | 3,126 | 3,126 | 18,889 | (15,763) |
| Miscellaneous | 187,188 | 187,188 | - | 187,188 |
| Capital outlay | 600,000 | 600,000 | 567,306 | 32,694 |
| Total charges to appropriations | <u>\$ 4,508,676</u> | <u>\$ 4,508,676</u> | <u>\$ 3,977,483</u> | <u>\$ 531,193</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (263,668) | \$ (263,668) |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (263,668)</u> | <u>\$ (263,668)</u> |
| Net change in fund balance | | | <u>\$ (472,850)</u> | |
| Fund balance - beginning of the year | | | <u>\$ 6,886,580</u> | |
| Fund balance - end of the year | | | <u>\$ 6,413,730</u> | |

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

| Public Safety | | | | |
|--|-------------------------|---------------------|--|---|
| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A | |
| | | | | |
| | ORIGINAL | FINAL | | VARIANCE WITH FINAL BUDGET |
| RESOURCES (INFLOWS): | | | | |
| Taxes and assessments | \$ 3,071,266 | \$ 3,071,266 | \$ 3,031,062 | \$ (40,204) |
| Intergovernmental | 202,000 | 202,000 | 233,896 | 31,896 |
| Charges for services | 240,100 | 240,100 | 314,736 | 74,636 |
| Miscellaneous | 25,000 | 25,000 | 28,075 | 3,075 |
| Amounts available for appropriation | <u>\$ 3,538,366</u> | <u>\$ 3,538,366</u> | <u>\$ 3,607,769</u> | <u>\$ 69,403</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS): | | | | |
| Public safety | \$ 5,012,711 | \$ 5,012,711 | \$ 4,960,796 | \$ 51,915 |
| Miscellaneous | 247,213 | 247,213 | - | 247,213 |
| Capital outlay | 131,013 | 131,013 | 163,315 | (32,302) |
| Total charges to appropriations | <u>\$ 5,390,937</u> | <u>\$ 5,390,937</u> | <u>\$ 5,124,111</u> | <u>\$ 266,826</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 722,228 | \$ 722,228 | \$ 625,641 | \$ (96,587) |
| Transfers out | - | - | (296,862) | (296,862) |
| Total other financing sources (uses) | <u>\$ 722,228</u> | <u>\$ 722,228</u> | <u>\$ 328,779</u> | <u>\$ (393,449)</u> |
| Net change in fund balance | | | <u>\$ (1,187,563)</u> | |
| Fund balance - beginning of the year | | | <u>\$ 1,222,358</u> | |
| Fund balance - end of the year | | | <u><u>\$ 34,795</u></u> | |

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 | \$ 4,353,908 | \$ 3,768,301 | \$ 3,607,769 |
| Combined funds (GASBS 54) revenues | <u>6,553,329</u> | <u>-</u> | <u>-</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds. | <u>\$ 10,907,237</u> | <u>\$ 3,768,301</u> | <u>\$ 3,607,769</u> |
| Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 4,694,248 | \$ 3,977,483 | \$ 5,124,111 |
| Combined funds (GASBS 54) expenditures | <u>454,803</u> | <u>-</u> | <u>-</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 5,149,051</u> | <u>\$ 3,977,483</u> | <u>\$ 5,124,111</u> |

Note B

The Public Safety Fund exceeded its budget authority due to the transfers to the General Fund for the indirect cost allocations.

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, 2024

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total OPEB liability | | | | | | | |
| Service Cost | \$ 181,815 | \$ 213,184 | \$ 199,309 | \$ 206,790 | \$ 228,916 | \$ 225,195 | \$ 214,844 |
| Interest | 127,006 | 116,222 | 77,169 | 76,275 | 140,802 | 121,843 | 118,880 |
| Differences in experience | (383,660) | - | 586,589 | - | (257,511) | - | 1,115 |
| Change in assumptions and inputs | (544,188) | - | (1,183,354) | - | (1,136,909) | 255,935 | 135,080 |
| Benefit payments | (52,275) | (44,643) | (38,254) | (32,542) | (76,706) | (63,115) | (65,752) |
| Net change in total OPEB liability | (671,302) | 284,763 | (358,541) | 250,523 | (1,101,408) | 539,858 | 404,167 |
| Total OPEB Liability - beginning | 2,984,786 | 2,700,023 | 3,058,564 | 2,808,041 | 3,909,449 | 3,369,591 | 2,965,424 |
| Total OPEB Liability - ending | \$ 2,313,484 | \$ 2,984,786 | \$ 2,700,023 | \$ 3,058,564 | \$ 2,808,041 | \$ 3,909,449 | \$ 3,369,591 |
| Covered-employee payroll | \$ 5,370,957 | \$ 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 | 43% | 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, 2024

| | PERS 2024 | PERS 2023 | PERS 2022 | PERS 2021 | PERS 2020 | PERS 2019 | PERS 2018 | PERS 2017 | PERS 2016 | PERS 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Employer's proportion of the net pension liability | 0.248366% | 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 | \$ 6,061,010 | \$ 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 | \$ 1,678,939 | \$ 1,848,588 | \$ 1,362,145 | \$ 2,115,159 | \$ 1,544,021 | \$ 1,548,905 | \$ 75,748 | \$ 68,602 | \$ 59,715 | \$ 57,413 |
| Total | \$ 7,739,949 | \$ 8,027,647 | \$ 5,981,545 | \$ 8,829,278 | \$ 6,286,850 | \$ 6,180,102 | \$ 6,017,392 | \$ 5,683,080 | \$ 4,921,152 | \$ 4,758,997 |
| Employer's covered payroll | \$ 4,617,588 | \$ 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 | 131.26% | 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 | 73.93% | 73.66% | 79.91% | 68.90% | 73.85% | 73.47% | 73.75% | 74.71% | 78.40% | 79.87% |
| | SRS 2024 | SRS 2023 | SRS 2022 | SRS 2021 | SRS 2020 | SRS 2019 | SRS 2018 | SRS 2017 | SRS 2016 | SRS 2015 |
| Employer's proportion of the net pension liability | 2.0685% | 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 | \$ 3,040,497 | \$ 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 | \$ 3,040,497 | \$ 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 |
| Employer's covered payroll | \$ 2,119,173 | \$ 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 | 143.48% | 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 | 77.09% | 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, 2024

| | PERS | PERS | PERS | PERS | PERS | PERS | PERS | PERS | PERS | PERS |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 555,359 | \$ 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 | \$ 555,359 | \$ 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 | \$ 6,123,032 | \$ 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 | 9.07% | 8.97% | 8.90% | 8.86% | 8.76% | 8.60% | 8.47% | 8.39% | 8.53% | 8.39% |

| | SRS | SRS | SRS | SRS | SRS | SRS | SRS | SRS | SRS | SRS |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contributions | \$ 286,671 | \$ 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 | \$ 286,671 | \$ 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 | \$ 2,185,825 | \$ 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% | 13.12% | 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, 2024

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, 2024

- 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.

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, 2024

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

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

| | |
|-------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.30%, net of pension plan investment and administrative expenses |
| *Includes inflation at | 2.75% |
| Merit salary increase | 0% to 4.80% |
| 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 |
| Mortality | |
| • Active Participation | PUB-2010 General Amount Weighted Employee 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. |
| • Health 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. |

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, 2024

The actuarial assumptions and methods utilized in the June 30, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

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

2013 Legislative Changes

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

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

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

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

2015 Legislative Changes

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

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;

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, 2024

- starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - 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

- 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.

2023:

Retirement eligibility

- Effective July 1, 2023, the retirement eligibility criteria in SRS for new hires first entering the system changes from 20 years of service at any age to age 50 and 20 years of service. This change had no impact on the TPL.

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, 2024

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

Actuarially determined contributions are determined on the valuation date payable in the fiscal year beginning immediately following the valuation date. The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2023, which were based on the results of the June 30, 2022 actuarial valuation:

| | |
|----------------------------|---|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.30%, net of pension plan investments and administrative expenses |
| *Includes inflation at | 2.75% |
| Merit salary increases | 1% to 6.40% |
| Asset valuation method | Four-year smoothed market |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of pay, open |
| Mortality | |
| • Active Participation | 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 and 100% for females. 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. |
| • Contingent Survivor | PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021. |

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, 2022 valuation, were developed in the five-year experience study for the period ending 2021.

SINGLE AUDIT SECTION

Lincoln County Montana
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2024

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Name of Grant - Grant ID No.</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 | | Road | \$ 2,161,472 |
| Schools and Roads - Grants to States | 10.665 | | Title III | 114,430 |
| Total Schools and Roads - Grants to States | | | | <u>2,275,902</u> |
| Total United States Department of Agriculture | | | | <u>2,275,902</u> |
| <i>Total Forest Service Schools and Roads Cluster-Cluster</i> | | | | 2,275,902 |
| <i>Other Programs</i> | | | | |
| Department of Homeland Security | | | | |
| Emergency Management Performance Grants | | | | |
| Emergency Management Performance Grants | 97.042 | Montana Department of Emergency Services | | <u>62,508</u> |
| Total Emergency Management Performance Grants | | | | 62,508 |
| Homeland Security Grant Program | | | | |
| Homeland Security Grant Program | 97.067 | Montana Department of Emergency Services,23HSLINCOMM | | 98,659 |
| Homeland Security Grant Program | 97.067 | Montana Department of Emergency Services,22HSLNCN | | <u>209,962</u> |
| Total Homeland Security Grant Program | | | | <u>308,621</u> |
| Total Department of Homeland Security | | | | 371,129 |
| United States Department of Justice | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | Flathead County | | <u>205,416</u> |
| Total Edward Byrne Memorial Justice Assistance Grant Program | | | | <u>205,416</u> |
| Total United States Department of Justice | | | | 205,416 |
| 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 | | Covid-- 3-30-0027-016-2020 | 12,383 |
| Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | | Eureka Airport-- AIP 3-30-0027-019-2 | <u>41,419</u> |
| Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | | | | <u>53,802</u> |
| Total Department of Transportation | | | | 53,802 |
| 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 | | <u>358,063</u> |
| Total Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | | | | <u>358,063</u> |
| Total United States Environmental Protection Agency | | | | 358,063 |
| Department of Health and Human Services | | | | |
| Public Health Emergency Preparedness | | | | |
| Public Health Emergency Preparedness | 93.069 | Montana Department of Public Health and Human Services,HHS-PHSD-00000527 | | <u>32,589</u> |
| Total Public Health Emergency Preparedness | | | | 32,589 |
| 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>336,480</u> |
| Total Substance Abuse and Mental Health Services Projects of Regional and National Significance | | | | 336,480 |

Lincoln County Montana
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2024 - Continued

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Name of Grant - Grant ID No.</i> | <i>Federal Expenditures(\$)</i> |
|--|-----------------------------------|---|--|--|
| Immunization Cooperative Agreements | | | | |
| | | Montana Department of Public Health and Human Services | | |
| Immunization Cooperative Agreements | 93.268 | | | 107,306 |
| Total Immunization Cooperative Agreements | | | | 107,306 |
| Drug-Free Communities Support Program Grants | | | | |
| Drug-Free Communities Support Program Grants | 93.276 | | | 53,280 |
| Total Drug-Free Communities Support Program Grants | | | | 53,280 |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | | | |
| | | Montana Department of Public Health and Human Services | | |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | | | 13,749 |
| Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | | | 13,749 |
| Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | | | | |
| | | Montana Department of Public Health and Human Services,23-07-1-01-186-0 | | |
| Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | 93.967 | | | 61,619 |
| Total Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | | | | 61,619 |
| Maternal and Child Health Services Block Grant to the States | | | | |
| | | Montana Department of Public Health and Human Services,24-25-5-01-027-0 | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | | | 24,404 |
| Total Maternal and Child Health Services Block Grant to the States | | | | 24,404 |
| <i>Total Department of Health and Human Services</i> | | | | 629,427 |
| Department of Housing and Urban Development | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | |
| | | Montana Department of Commerce,MT-CDBG-PL-21-06 | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | | | 43,272 |
| Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | | | | 43,272 |
| <i>Total Department of Housing and Urban Development</i> | | | | 43,272 |
| Department of the Treasury | | | | |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | | | | |
| CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | 21.027 | | | 163,664 |
| Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS | | | | 163,664 |
| Local Assistance and Tribal Consistency Fund | | | | |
| Local Assistance and Tribal Consistency Fund | 21.032 | | | 5,697,750 |
| Total Local Assistance and Tribal Consistency Fund | | | | 5,697,750 |
| <i>Total Department of the Treasury</i> | | | | 5,861,414 |
| United States Department of Agriculture | | | | |
| Cooperative Forestry Assistance | | | | |
| | | Montana Department of Natural Resources and Conservation,17-DG-11010000-010 | | |
| Cooperative Forestry Assistance | 10.664 | | | 26,239 |
| Total Cooperative Forestry Assistance | | | | 26,239 |
| <i>Total United States Department of Agriculture</i> | | | | 26,239 |
| Total Other Programs | | | | 7,548,762 |
| Total Expenditures of Federal Awards | | | | \$ 9,824,664 |

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, 2024

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, 2024, 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 8, 2025.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Lincoln County's Response to Findings

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

Purpose of this Report

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

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

May 8, 2025

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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lincoln County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lincoln County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

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

Report on Internal Control over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

May 8, 2025

LINCOLN COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2024

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) | No |

Identification of major programs:

| | |
|---|--|
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
| 21.032 | Local Assistance and Tribal Consistency Fund |
| 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

There were no financial statement findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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> |
|--------------------------------|---------------------|
| 2023-001 Budget Authority | Not Repeated |
| 2023-002 Late Audit Submission | Not Repeated |

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

May 8, 2025