



Flathead County,
Montana

Popular Annual
Financial Report
FY 2020-2021

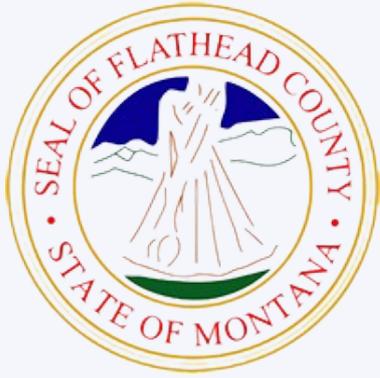


Table of Contents

Page 1	Opening Letter from Finance Director
Page 2	Serving the People of Flathead County
Page 3	Flathead County at a Glance
Page 4	Statistics and Demographics from the Past 5 Years
Page 5	FY 2020-2021 Financial Highlights
Page 6	General Government Fund
Page 7	Revenues, Expenditures, Debt
Page 8	Capital Projects and Infrastructure



LETTER FROM FLATHEAD COUNTY FINANCE DIRECTOR

I am pleased to present to you the Flathead County Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2021.

This report is intended to increase awareness throughout the community of the financial operation of the County. As such, this report is written in a user-friendly manner that will summarize and communicate the County's financial condition. The PAFR presents information for the County at the government wide level and general fund level and does not present information on the financial statement of its individual funds or fiduciary funds. Though the PAFR is unaudited, the financial information within this report is derived in large part from the County's FY2021 independently audited set of financial statements that are prepared in accordance with generally accepted accounting principles. These audited statements are part of the County's FY2021 Annual Comprehensive Financial Report (ACFR). For more detailed information please refer to the ACFR available at <https://flathead.mt.gov/finance/>.

Flathead County has been the recipient of the Certificate of Achievement for Excellence in Financial reporting by the Government Finance Officers Association on our Comprehensive Annual Financial Report for nine consecutive years and has received the Distinguish Budget award for thirteen consecutive years.

The County saw an increase in revenues and an increase in expenses. The general fund ended FY 21 with an increase in fund balance totaling \$13 million. COVID-19 has impacted Flathead County with an increase in needed services through the health department. The increase in operations has been covered significantly by additional grant funding. FY 2021 brought a few changes in county operations. With the passing of an operational levy for the Flathead Emergency Communication Center the operations were brought under Flathead County, therefore dissolving the component unit as of 12/31/2020. In addition, as of May 1, 2021, the Flathead County Community Health Center became a nonprofit and their operations are no longer a part of Flathead County.

As you review our PAFR for 2021, we hope you find this financial summary easy to read and you come away with a better understanding of how the County's operations are funded. I invite you to share any comments, questions, or recommendations you may have.

Sincerely,

Amy Dexter

Amy Dexter
Finance Director



SERVING THE PEOPLE OF FLATHEAD COUNTY

Flathead County is the 4th most populous county in Montana and is growing rapidly despite the COVID-19 pandemic



Brad W. Abell
Commissioner
District 1



Pamela
Holmquist
Commissioner
District 2



Randy Brodehl
Commissioner
District 3

The Board of Commissioners is the county's governing body. The board is charged with setting policy to guide county programs that serve residents and businesses in Flathead County.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (COA) to the County for its ACFR for the fiscal year ended June 30, 2019. The June 30, 2020 report was still under review by the GFOA at the time the ACFR was issued. This was the eighth year the County has received this prestigious award.

The Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current ACFR continues to meet the COA Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County has received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year ending in June 30, 2021. This is the 13th consecutive year the County has been awarded this prestigious award. To qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judge proficient as a policy document, a financial plan, an operations guide, and a communications guide.

Mission and Core Values for Flathead County

MISSION

To provide accessible services to help ensure a successful Flathead County

CORE VALUES

- Accountable stewardship of taxpayer resources
- Respectful and responsive communication
- Professional service with quality and integrity
- Proactive and innovative leadership at all levels
- Creating a positive team culture that values all people
- Safety and security throughout the County
- Equal Treatment for all

BREAKDOWN OF GOVERNANCE STRUCTURE

Flathead County is a political subdivision organized under the laws of the State of Montana. The County's 3 branches- Executive, Legislative, and Policy-Making body- are comprised of the Board of County Commissioners. The Commissioners are elected by the voters of Flathead County and serve staggered six-year terms.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Flathead County
Montana

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Merrill
Executive Director/CEO

14.77%
*increase in
population
since 2010
census*

FLATHEAD COUNTY AT A GLANCE

BUDGET PRIORITIES

The budget priorities of Flathead County are:

- Remain fiscally conservative
- Maintenance of strong cash reserve
- Fund major capital projects through 5-year Capital Improvement Plan

The purpose of the Capital Improvement Plan is to systematically plan and finance capital projects

SERVICES OF FLATHEAD COUNTY

- Full-time sheriff department and supporting emergency disaster services
- Road and Bridge Maintenance
- Public Health Services
- Planning and Zoning
- Library Services
- Court Services
- Social and Economic Support for the aging population and the youth
- Park & Recreational Activities
- County Fair Activities
- Administrative Services

POPULATION

Flathead County has 3 incorporated cities within its limits—Kalispell, Whitefish, and Columbia Falls. The County encompasses 3,262,720 acres of which approximately 94% of the land mass is national or state forest land, wilderness, agricultural, and corporate timber land.

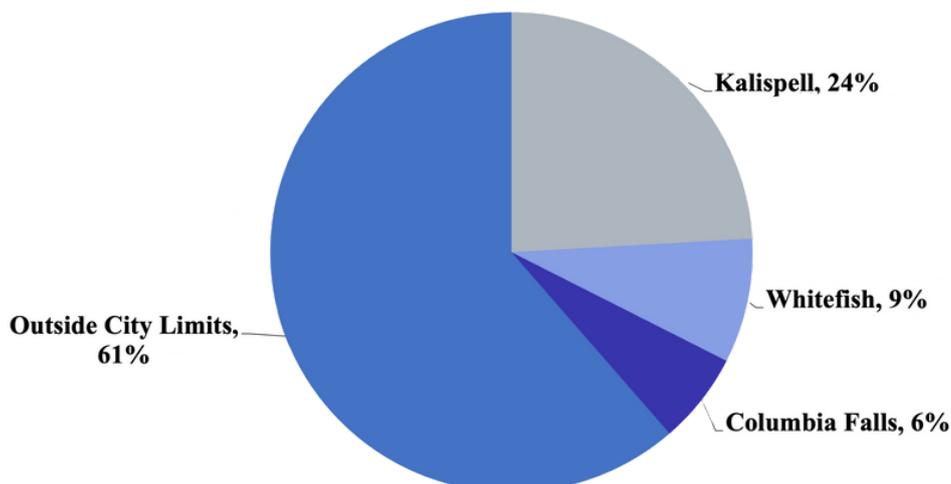
The population of Flathead County has seen a steady increase despite the effects of COVID-19. The county now has approximately 104,354 residents according to the U.S. Census Bureau in 2021.

With over half of the population living outside of city limits, many Flathead County residents rely solely on the county for services that would otherwise be provided by a city.

RACIAL MAKEUP

The racial makeup of Flathead County is 95% White, 3.0% Hispanic or Latino, 1.3% American Indian, 0.8% Asian, and 0.3% African American. This is very similar to the racial makeup of the entire state of Montana

2021 Population of Flathead County by Geographic Region



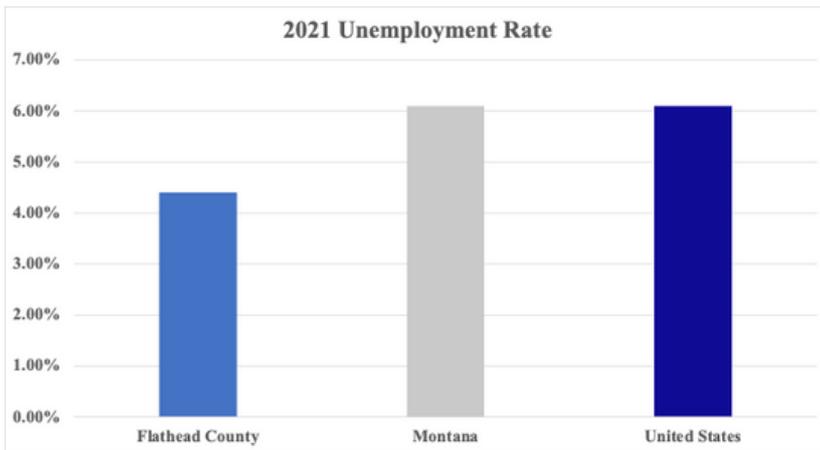
Statistics and Demographics over the Past 5 Years

Fiscal Year	Population	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2017	98,092	\$39,613	42.1	15,774	4.40
2018	100,000	\$41,491	42.2	16,053	4.20
2019	102,106	\$44,816	42.3	16,473	4.40
2020	103,806	\$47,851	42.1	16,758	9.20
2021	104,354	\$48,609	42.4	13,683	4.40

The per capita personal income of Flathead County residents continues to increase and remains higher than the median per capita personal income in the U.S., which was \$33,740 in December 2020.

The school enrollment in Flathead County decreased when the COVID-19 pandemic began as families opted to home school children. School enrollment is slowly on the rise, prompting at least two school districts to keep a watch on building capacity. This could potentially mean that a new school will need to be built to accommodate the rising student enrollment rate.

UNEMPLOYMENT RATE



Flathead County's unemployment rate as of 2021 is 4.4% compared to the State of Montana's unemployment rate, which is 6.1%, and the overall rate of the United States, which is 6.1%

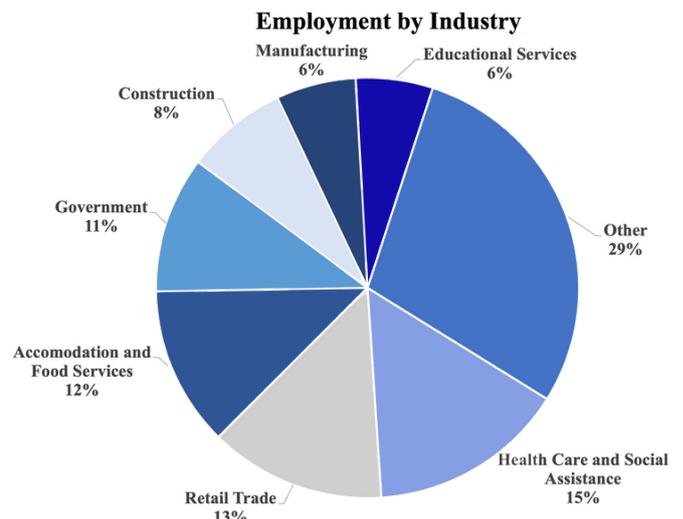
The unemployment rate of Flathead County has not only returned to pre-COVID rates, but it is lower than the unemployment rate of both Montana and the United States.

Home Values and Property Taxes

The median home value in Flathead County is \$259,400. This is slightly higher than the median home value in Montana, which is \$245,262.

One way to compare tax rates from one area to another is through effective tax rates. Effective tax rates are equal to annual property taxes paid as a percentage of home value. The effective property tax rate in Flathead County is 0.81% of the assessed value. This is slightly lower than Montana's effective property tax rate, which is 0.83%

Employment by Industry



Statement of Net Position & Statement of Activities

The Statement of Net Position and the Statement of Activities help provide a quick picture of Flathead County's financial health.

These two statements include all assets, deferred outflows, liabilities, and deferred inflows. They also report the County's net position at the close of that fiscal year as well as how that position changed from the previous year.

The Statement of Net Position and the Statement of Activities divide the County activities into two categories: Governmental Activities and Business-Type Activities.

Governmental activities are activities that are supported by taxes and intergovernmental revenues. Most of the County's services are reported here, including general government services, public safety, public works, public health, social and economic services and culture and recreation.

Public safety expenses comprised 25.52% of all governmental expenses in 2021. Public safety expenses increased by \$2,351,117 from the previous fiscal year due to the addition of the Emergency Communication Center coming under the county's umbrella.

Public health comprised 22.62% of all governmental expenses. Public health increased by \$2,363,589 from the previous year mostly due to an increase in expenses related to COVID-19 response.

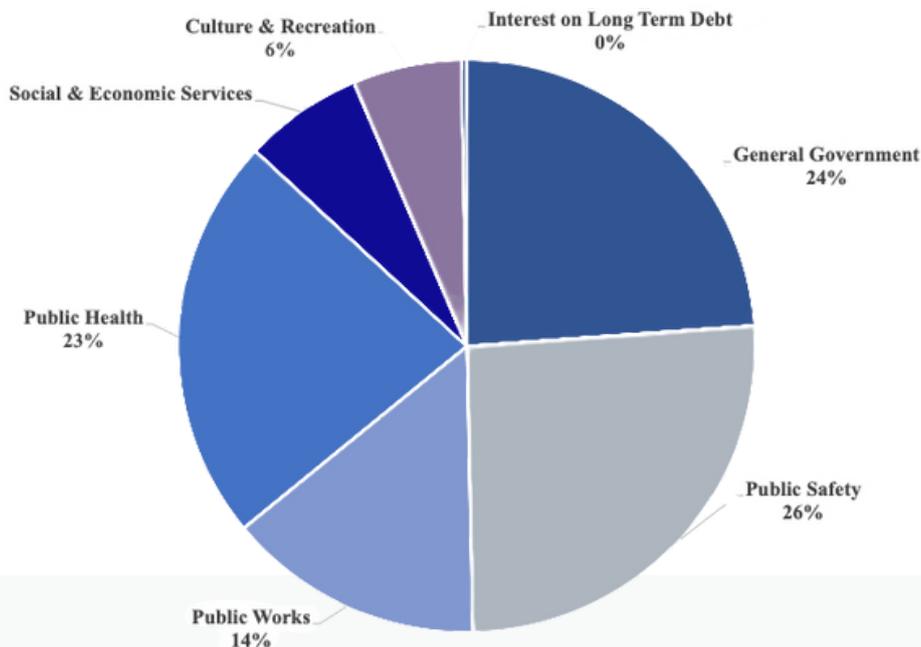
FY 2020-2021 FINANCIAL HIGHLIGHTS

Flathead County's total net position increased by \$13.7 million this past fiscal year, representing a 7.99% increase from the 2020 net position.

The increase in the total net position is a good sign for the county because this means that total assets of the county exceeded deferred expenses and the county did not have to go into debt to provide every day services.

In 2021, general government expenses comprised 23.57% of all governmental activity expenses. The total general government expenses increased by \$2,700,975 from the previous fiscal year mainly due to a sharp increase in capital expenditures for the North Building remodel.

FY 2021 Major Government Expenses



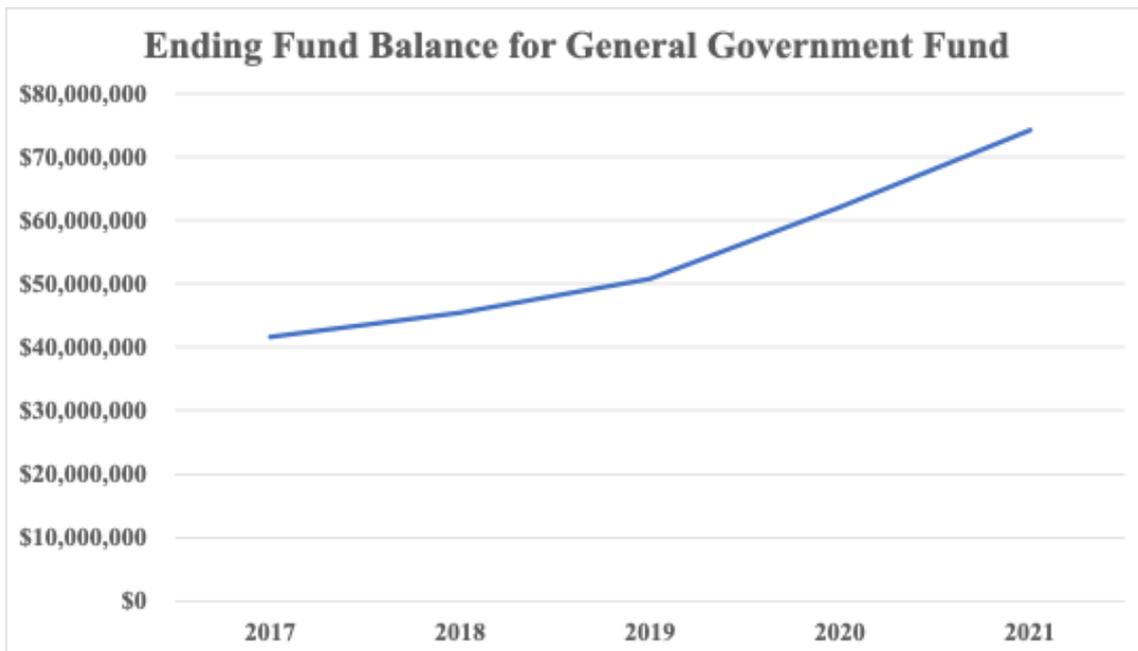
General Government Fund



Governmental funds focus on current revenue sources, how revenues are spent, as well as the balances of spendable resources at the end of the fiscal year. This information can then be used to evaluate the County's near-term financing requirements. Flathead county has 5 major governmental funds: General, Road, Sheriff, Health Clinic, and County Building Fund.

The County's government funds reported a combined ending fund balance of \$74.2 million, which is an increase of \$12 million from the previous fiscal year. Of this fund balance, \$13 million of total governmental fund expenditures and other financing uses is available for spending at the government's discretion. This is also known as an unassigned fund balance and can be spent on behalf of the county's citizens.

General Fund Balance from 2017-2021



Flathead County continues to increase revenues to offset the increase in expenditures while continuously growing the General Government Fund.

By keeping adequate large cash reserves in the General Government Fund, Flathead County maintains the ability to pay for unforeseen expenditures without halting current services that citizens have come to rely on as well as not go into debt in order to meet day-to-day obligations and costs of providing services.

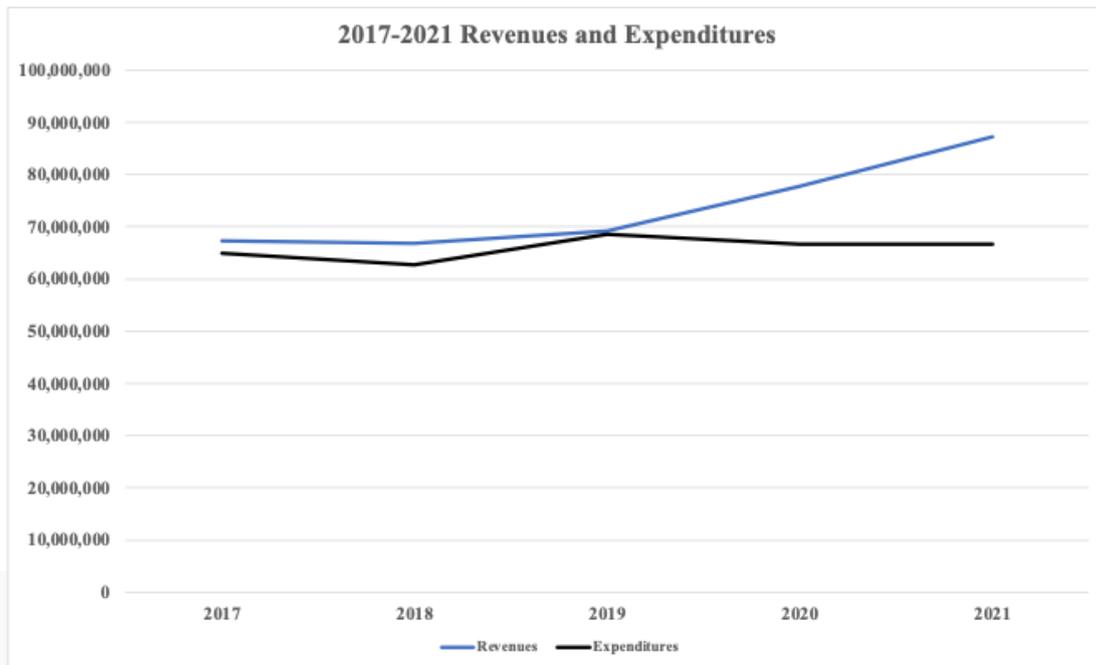
Revenues, Expenditures, Debt

Revenues & Expenditures

Revenues exceeded expenditures by \$15 million in fiscal year 2021. This leaves the county in a strong financial position.

Over the past 5 years, Flathead County has seen an increase in expenses, but has remained fiscally conservative and has offset this increase by increasing revenue as well.

By far the largest portion of revenues, approximately 50%, collected by the county was in the form of Property Taxes. Flathead County has consistently relied on property taxes as its main source of revenue to support governmental activities. Property tax revenue has increased since 2017, going from \$36 million collected in 2017 to \$43 million in 2021.



Long-term Debt

Long-term debt is often used by governments to fund large capital projects as well as pay pensions.

Flathead County's long-term debt totaled \$65,453,871 at the end of fiscal year 2021. Overall, total debt increased by \$12,499,150. The overall increase was primarily attributed to an increase in pension liability of \$11.68 million and an increase of \$1.68 million in post closure liability

Special Assessment Bonds	\$2,855,216
General Obligation Bonds Payable	3,620,000
Capital Lease	33,284
Compensated Absences Liability	4,329,106
Pension Related Debt	41,361,480
Closure and Post-closure Liability	13,254,785
	\$65,453,871

CAPITAL PROJECTS and MAJOR EVENTS

Flathead County is actively working towards its budgetary goal of improving the infrastructure of Flathead County by creating and adopting a 5-year Capital Improvement Plan. The Plan includes machinery and equipment, safety updates to the county facilities, and adequate updates to infrastructure throughout the county.

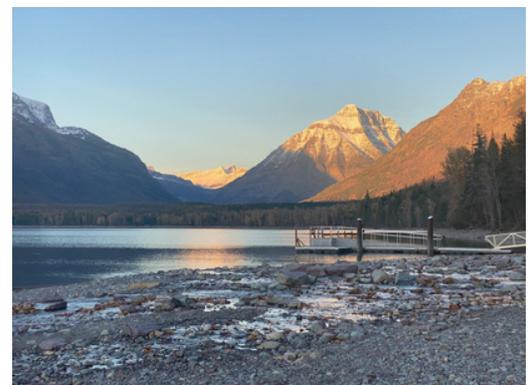
Funding for the capital plan includes planned transfers from operational funds to capital funds. This helps minimize operational spikes in expenditures and ensures funding is available for scheduled purchases and or construction.

Maintaining infrastructure is important not only in ensuring that Flathead County is providing for its citizens high quality services for its citizens, but it also helps the county maintain a high net position. As of this past fiscal year, 2021, 62.28% of Flathead County's net position is reflected by its investment in capital assets.

\$26,869,447 in capital assets for business-type activities

Capital Assets Include

- Land
- Buildings
- Infrastructure (transportation systems, sewage, water, electric systems)
- Machinery
- Equipment



Two major events occurred during this past fiscal year:

1) On January 1, 2021, 911 Center was brought under the county umbrella. The Center became a Flathead County department after voters moved to increase its funding through a special countywide taxing district.

The Center was previously run jointly by the county and the incorporated cities of Whitefish, Kalispell, and Columbia Falls. This transition went smoothly, but the Center has faced hiring and retention challenges. This is emblematic of a growing problem with other 911 and crises centers across the country as there is a national shortage of crises response employees. The number of Full-time Equivalent Employees of Flathead County increased by 35 employees.

2) On May 31, 2021 the Health Clinic separated from the county. Operations were transferred to the nonprofit Greater Valley Health Center.

Because of this, there will not be a need to have a separate Health Clinic Fund and thus the fund. Overall, this will decrease expenditures of Flathead County by 1.6 million as well as decrease the number of Full-time Equivalent Employees by 49.