



**BIG SKY COUNTY
WATER & SEWER
DISTRICT NO. 363**

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sky County Water & Sewer District No. 363

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Big Sky County Water & Sewer District No. 363 (the District), which comprise the statements of net position as of June 30, 2024 and 2023 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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.

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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known 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, misrepresentations, 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 judgment 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 District'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 the management's discussion and analysis information on pages 4 - 13 and 46 - 49 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 context.

Required Supplementary Information (Continued)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the District'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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Holmes & Turner
Bozeman, Montana
December 17, 2024

MANAGEMENT DISCUSSION & ANALYSIS

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,925,600	\$ 3,758,774
Investments	7,074,831	6,704,248
Accounts receivable, net	1,149,742	1,009,812
Prepaid expenses	244,152	53,085
Water meter inventory	515,362	453,093
Due from other government, current	3,145,122	2,995,335
Total current assets	16,054,809	14,974,347
Noncurrent assets		
Restricted cash and cash equivalents	6,311,040	5,617,812
Due from other government, noncurrent	12,702,449	15,847,571
Nondepreciable capital assets	55,206,733	42,151,795
Depreciable capital assets, net	40,382,184	40,424,206
Total noncurrent assets	114,602,406	104,041,384
Total assets	130,657,215	119,015,731
DEFERRED OUTFLOWS OF RESOURCES		
Montana Public Employees Retirement System	\$ 235,640	\$ 125,604

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,471,406	\$ 2,197,612
Performance bonds and retainage payable	5,649,911	4,875,040
Tax refund payable	124,998	-
Current portion of long-term liabilities	345,000	844,000
Total current liabilities	7,591,315	7,916,652
Long-term liabilities		
Compensated absences payable	152,757	151,224
Net pension liability	439,243	313,424
General obligation bonds	782,000	1,083,000
Sewer system revenue bonds	33,150,345	22,276,934
Total long-term liabilities	34,524,345	23,824,582
Total liabilities	42,115,660	31,741,234
DEFERRED INFLOWS OF RESOURCES		
Montana Public Employees Retirement System	15,667	22,946
Infrastructure tax agreement	15,847,571	18,842,906
Total deferred inflows of resources	15,863,238	18,865,852
NET POSITION		
Net investment in capital assets	61,311,572	58,372,067
Unrestricted	9,528,532	7,715,362
Restricted		
Debt service	2,067,043	2,440,567
Water Resource Recovery Facility (WRRF)	6,810	6,253
Total net position	\$ 72,913,957	\$ 68,534,249

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUE		
Sewer services	\$ 2,721,131	\$ 2,400,357
Water services	2,053,389	1,748,886
Total operating revenue	4,774,520	4,149,243
OPERATING EXPENSES		
General and administrative		
Advertising	1,220	280
Dues and subscriptions	4,758	3,025
Education expenses	3,267	2,312
Insurance	269,869	251,782
Janitorial and carpet services	4,690	3,896
Meetings	44,341	11,418
Miscellaneous	6,635	3,823
Office building repair and maintenance	14,258	6,485
Office supplies and expenses	29,300	35,339
Payroll taxes and benefits	111,171	64,452
Legal fees	256,062	464,488
Other professional fees	60,828	60,777
Telephone and computer maintenance	20,081	54,155
Salaries	656,839	363,778
Utilities	6,441	6,894
Vehicle expenses	3,420	6,231
Total general and administrative	\$ 1,493,180	\$ 1,339,135

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING EXPENSES (CONTINUED)		
Sewer general and administrative		
Salaries and wages	\$ 387,617	\$ 252,164
Insurance	100,277	83,894
Payroll taxes and benefits	68,626	43,803
Dues and subscriptions	808	1,210
Telephone	5,678	5,166
Office supplies	1,065	595
Education expense	2,854	2,390
Total sewer general and administrative	566,925	389,222
Sewer plant expenses		
Chemicals	166,854	68,382
Depreciation	702,161	690,291
Engineering	173,044	134,232
Fuel - equipment and vehicles	14,066	13,530
Lab testing equipment	5,771	5,013
Maintenance and repairs - building and grounds	80,512	92,245
Miscellaneous	3,041	9,737
Safety equipment	3,127	1,498
Sewer repairs and maintenance	105,389	126,066
Special projects	-	20,000
Treatment plant repairs and maintenance	46,237	29,694
Electric and utilities	429,552	400,004
Travel and vehicle expense	23,818	24,432
Waste water monitoring	53,860	62,817
Total sewer plant expenses	\$ 1,807,432	\$ 1,677,941

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING EXPENSES (CONTINUED)		
Water general and administrative		
Salaries and wages	\$ 370,809	\$ 354,919
Insurance	83,226	85,941
Payroll taxes and benefits	66,046	61,900
Dues and subscriptions	3,043	2,630
Telephone	7,933	7,329
Office supplies	457	-
Education expense	4,724	3,227
Public water supply fee	5,060	4,876
Total water general and administrative	541,298	520,822
Water plant expenses		
Depreciation	496,078	455,378
Fuel - equipment and vehicles	12,756	17,885
Lab testing equipment	2,935	8,214
Miscellaneous	2,660	1,239
Professional services	-	4,817
Repairs and maintenance	286,439	187,457
Special projects	54,321	98,245
Safety equipment	1,393	816
Electric and utilities	193,970	175,519
Travel and vehicle expense	22,127	22,962
Total water plant expenses	1,072,679	972,532
Total operating expenses	5,481,514	4,899,652
Operating income (loss)	\$ (706,994)	\$ (750,409)

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
NONOPERATING REVENUES AND (EXPENSES)		
Interest expense	\$ (945,150)	\$ (437,376)
Other nonoperating expense	(20,457)	(80,670)
Tax receipts for bond payments	3,440,334	4,153,821
Plant investment charges	610,680	257,015
Water system investment charges	152,898	67,338
Interest income	511,585	275,078
Resort tax appropriation	414,000	-
Other nonoperating revenue	14,086	94,194
Total nonoperating revenues and (expenses)	4,177,976	4,329,400
Income before contributions	3,470,982	3,578,991
Capital contributions	908,726	1,854,789
Increase (decrease) in net position	4,379,708	5,433,780
Net position, beginning of year	68,534,249	63,100,469
Net position, end of year	\$ 72,913,957	\$ 68,534,249

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,458,485	\$ 3,935,010
Payments to suppliers and employees	(4,951,674)	(3,693,345)
Net cash flows from operating activities	(493,189)	241,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(844,000)	(1,331,000)
Cash received from bond issuance	10,917,410	19,734,389
Purchases of capital assets	(13,916,080)	(25,090,523)
Proceeds from sales of capital assets	-	500
Interest paid on capital debt	(945,150)	(437,376)
Taxes collected for bond payments	444,999	1,301,102
Infrastructure tax for WRRF project	2,995,335	2,852,719
Proceeds from capital grants	1,027,651	1,586,349
Other receipts (payments)	757,207	336,663
Net cash flows from capital and related financing activities	437,372	(1,047,177)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest	511,585	275,078
Proceeds from performance bonds and fees	774,871	1,229,512
Purchases of investments	(370,585)	(6,703,362)
Net cash flows from investing activities	915,871	(5,198,772)
Net increase (decrease) in cash	860,054	(6,004,284)
Cash and cash equivalents, beginning of year	9,376,586	15,380,870
Cash and cash equivalents, end of year	10,236,640	9,376,586
CASH AND CASH EQUIVALENTS AS PRESENTED ON THE STATEMENT OF NET POSITION		
Cash and cash equivalents	3,925,600	3,758,774
Restricted cash and cash equivalents	6,311,040	5,617,812
Total	\$ 10,236,640	\$ 9,376,586

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (706,994)	\$ (750,409)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,198,239	1,145,669
(Increase) decrease in current assets:		
Accounts receivable	(139,930)	(165,475)
Prepaid expenses	(191,067)	(34,936)
Inventory	(62,269)	(157,542)
Deferred outflows of resources	(110,036)	(13,822)
Due from other governments	2,995,335	2,852,719
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(726,203)	187,778
Compensated absences payable	1,533	23,198
Net pension liability	125,819	88,787
Deferred inflows of resources	(3,002,614)	(2,934,302)
Overpaid taxes	124,998	-
Net cash flows from operating activities	\$ (493,189)	\$ 241,665
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest in building	\$ 6,000	\$ 6,000
Water and Sewer Extensions	289,075	262,440
Total	\$ 295,075	\$ 268,440

The accompanying notes are an integral part of these financial statements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Sky County Water and Sewer District No. 363 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

a. Reporting Entity

The District was created by resolution by the Board of County Commissioners of Gallatin County, Montana, and Madison County, Montana, on August 3, 1993 and August 4, 1993, respectively. The District was created for the purpose of constructing, repairing, operating, managing, maintaining, and acquiring a sanitary sewer facility on the West Fork of the West Gallatin River, Gallatin County, Montana. The District acquired Lone Mountain Springs Water District, as part of a settlement agreement reached with Boyne USA on July 25, 1997. The District is governed by a Board of Directors elected by members of the District and establishes its own budget independent of any other government entity, so it is therefore considered to be a primary government. The daily affairs of the District are conducted under the supervision of the District's general manager. The District serves approximately 3,000 customers.

b. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the District's operating statements. The District is accounted for on the flow of "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported and equity is reported as net position.

The term basis of accounting is used to determine when a transaction or event is recognized on the District's financial statements. The District uses the full accrual basis of accounting, with revenues recorded when earned and expenses recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Pursuant to GASB 62, Big Sky County Water and Sewer District No. 363 follows all GASB pronouncements and may apply FASB pronouncements for accounting issues not addressed by GASB literature, unless it conflicts or contradicts GASB pronouncements.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are water and wastewater user charges. Revenue from user charges and sales of services is recognized as the related service is provided. Refunds to customers are charged to income in the period in which those refunds are paid. Operating expenses include the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses, and depreciation of capital assets.

All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

d. Water and Wastewater user Charges

The District bills its customers for sewer and water services on a calendar quarter basis in arrears. Bills are mailed out the first week of January, April, July and October of each year. The service charges for sewer and water are calculated from water meter readings which the District collects for each billable property. Property owners are assessed sewer and water fees annually based on a base rate and usage. No allowance has been made for uncollectible accounts because the District submits any delinquent accounts to the County Treasurer for collection.

e. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted components of net position are available, the District's policy is to apply the restricted component first.

f. Cash and Investments

The District is authorized by statute to invest in time and savings deposits with a bank, savings and loan association, or credit union in the state. In addition, it may also invest in obligations of the United States Government, securities issued by agencies of the United States, repurchase agreements, and the State of Montana Short-Term Investment Pool (STIP).

To minimize custodial credit risk in relation to the District's deposits, the District's policy is to have uninsured deposits covered by collateral held by the pledging bank's agent in the District's name. The District does not have a policy regarding concentration of credit risk in relation to its investments.

For the purpose of the cash flow statement, cash and cash equivalents are considered to be cash on hand, deposits in demand accounts and money market accounts.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Restricted Cash

	2024	2023
WRRF Fund	\$ 3,634	\$ 3,092
Debt Service	2,192,040	2,440,034
SRF Construction MMA	3,176	3,160
BSRAD Appropriations	414,000	-
Performance Bonds and Retainage	3,573,192	3,171,525
Gallatin County Taxes	124,998	-
Total restricted cash	\$ 6,311,040	\$ 5,617,811

i. Infrastructure Tax - WRRF Project

This is the balance of infrastructure tax proceeds received from the Resort Area District. These funds are restricted for use related to the WRRF project. See Note 3 for more information.

ii. Debt Service

This is the amount that has accumulated in the Debt Service Fund. This restriction is for debt repayment on the general obligation and special revenue bonds. See Note 5 for more information.

h. Inventory

Inventory is recorded at lower of cost (first-in, first-out) or market and consists primarily of operating materials.

i. Capital Assets

The District's capital assets are capitalized at historical cost or estimated historical cost. Contributions of capital assets are recorded at fair market value when received. Depreciation of capital assets is calculated using the straight-line method with estimated useful lives as follows:

Office building	39 years
Water and sewer system and equipment	7-75 years
Vehicles	5 years
Computer equipment and software	3-5 years

Maintenance and repair costs are expensed as incurred. Replacements, which improve or extend the life of a fixed asset, are capitalized. Proceeds received from government or other grantors, for the purchase or construction of fixed assets, are credited to income. All interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Compensated Absences

Employees accrue vacation time at 10 hours per month (increasing to 12 hours per month after 10 years of service and up to 16 hours per month after 21 years of service) and sick leave at 8 hours per month. Upon termination, unused sick time is paid at 25%. Unused vacation may not be accrued beyond two times the annual amount. Excess time must be used within 90 days of the next calendar year or be forfeited.

k. Net Position

The District adopted the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement 63 provides a new net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Proprietary fund net position is divided into three components:

i. Net investment in capital assets

Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus capital asset related deferred outflows of resources less capital asset related deferred inflows of resources related to those assets.

ii. Restricted

Consist of assets that are restricted as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

iii. Unrestricted

All other net position is reported in this category.

l. Tax Revenue

Property tax levies are set by the Counties according to the rates approved by the voters and are based on taxable values listed as of January 1 for all real property located in the District. Taxable values are established by the Montana Department of Revenue based on market values. 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 taxes and special assessments are generally billed in October and are payable one half by November 30 and one half by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Tax Revenue (Continued)

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

m. Budget

The District is not legally required to adopt a budget; therefore management has decided not to present the budget in the financial statements.

n. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

o. Tax Exempt Status

The District is a municipal corporation and, therefore, is not liable for federal and state income taxes pursuant to Internal Revenue Code 501(c)(1).

p. New Accounting Pronouncements

i. GASB Statement No. 100

GASB Statement No. 100, Accounting Changes and Error Corrections, issued by the Governmental Accounting Standards Board (GASB) was adopted by the District for the year ended June 30, 2024. The objective of this statement is to enhance accounting and reporting requirements over accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The District did not make any changes to its accounting principles, estimates, or financial reporting entity, and did not make any error corrections that warrant the additional reporting requirements of GASB Statement No. 100 as of the fiscal year ended June 30, 2024. The District will continue to monitor its financial reporting practices going forward to ensure compliance with the new standard.

q. Reclassifications

In preparing the financial statements for the current fiscal year, certain amounts reported in the prior year have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported total net position, changes in net position, or cash flows. The reclassifications primarily relate to the following:

Restricted cash and cash equivalents - The balance was increased to include debt service and performance bond deposits.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Reclassifications (Continued)

Restricted net position - The balance was decreased to remove performance bond deposits.

2. CASH AND INVESTMENTS

As of June 30, 2024 and June 30, 2023, the carrying amount of the District's deposits (cash and interest-bearing money market accounts) at local banks was \$10,236,640 and \$9,376,586, respectively. The bank balance as of June 30, 2024 and June 30, 2023 was \$10,311,378 and \$9,643,923, respectively. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by the pledging banks' agents in the District's name.

At June 30, 2024, the District's only investment was in the Montana Short-Term Investment Pool (STIP). STIP was created by the State of Montana Board of Investments to allow qualifying funds, per sections 17-6-201, 202 and 204, MCA, to participate in a diversified pool. The carrying amount of this investment as of June 30, 2024 and June 30, 2023 was \$7,074,831 and \$6,704,248.

GASB 31

According to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, STIP is considered an external investment pool. An external investment pool is defined as an arrangement that pools the monies of more than one legally separate entity and invests on the participant's behalf in an investment portfolio. STIP is also classified as a "2a7-like" pool.

A 2a7-like pool is an external investment pool that is not registered with the Security and Exchange Commission (SEC) as an investment company, but has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. If certain conditions are met, 2a7-like pools are allowed to use amortized cost rather than fair market value to report net assets and to compute unit values. The Board of Investments has adopted a policy to treat STIP as a 2a7-like pool and to utilize an amortized cost unit value rather than fair value to report net assets.

GASB 40

Effective June 30, 2005, the State of Montana Board of Investments implemented the provisions of GASB Statement No. 40 – *Deposit and Investment Risk Disclosures*. The unaudited financial statements as of June 30, 2024 and 2023 have disclosures pertaining to STIP's exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and legal and credit risk. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Security Lending

STIP is eligible to participate in securities lending. Securities lending transactions for fiscal year 2024 are disclosed in STIP's financial statements. An unaudited copy of the STIP fiscal year 2024 financial statements is available online at the Montana Board of Investments' website.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

3. DUE FROM OTHER GOVERNMENTS

On February 4, 2020, the District and Big Sky Resort Area District ("RAD") entered into an interlocal agreement with respect to the WRRF Phase I Project, the Canyon Project and the payment or financing costs thereof. Pursuant to the agreement, the electors of the RAD approved the imposition of the additional 1% infrastructure resort tax commencing July 1, 2020 and terminating June 1, 2032. The additional infrastructure tax will be used to pay the lesser of 60% of the total costs of the WRRF Phase I Project or \$27,000,000, and \$12,000,000 for the costs of the Canyon Project if it is determined to be feasible in accordance with Section 3.3. On April 4, 2021, the interlocal agreement was amended to account for various changes including the source of funding obtained by the Water & Sewer District, the estimated cost of the project, and the agreed upon minimum contributions required by the RAD. The future minimum annual contributions to be received from the RAD are as follows.

	Minimum Contributions
2025	\$ 3,145,122
2026	3,302,379
2027	3,467,497
2028	3,640,872
2029	2,291,701
Total	\$ 15,847,571

During the year ended June 30, 2024, the RAD paid the minimum annual contribution of \$2,995,335. The total remaining balance due at year end was \$15,847,571 and is reported as a Deferred Inflow of Resources since it represents the increase of net assets that applies to future periods.

As of June 30, 2024, the Canyon Project has not met the conditions of Section 3.3 of the amended interlocal agreement. Therefore, the \$12,000,000 has not been recognized as a Deferred Inflow of Resources or included in the Due from other Governments balance.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

4. CAPITAL ASSETS

Capital assets for the year ended June 30, 2024:

	Balance			Balance
	June 30, 2023	Additions	Disposals	June 30, 2024
Nondepreciable capital assets:				
Land	\$ 1,091,689	\$ 6,000	\$ -	\$ 1,097,689
Land improvements	58,117	-	-	58,117
Construction in progress	41,001,989	13,048,938	-	54,050,927
Total nondepreciable capital assets	<u>42,151,795</u>	<u>13,054,938</u>	<u>-</u>	<u>55,206,733</u>
Depreciable capital assets:				
Buildings	736,390	-	-	736,390
Sewer infrastructure	37,449,978	891,474	-	38,341,452
Water infrastructure	24,159,256	264,743	-	24,423,999
Total depreciable capital assets	62,345,624	1,156,217	-	63,501,841
Accumulated depreciation	<u>(21,921,418)</u>	<u>(1,198,239)</u>	<u>-</u>	<u>(23,119,657)</u>
Depreciable capital assets, net	<u>40,424,206</u>	<u>(42,022)</u>	<u>-</u>	<u>40,382,184</u>
Total capital assets, net	<u>\$ 82,576,001</u>	<u>\$ 13,012,916</u>	<u>\$ -</u>	<u>\$ 95,588,917</u>

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

4. CAPITAL ASSETS (CONTINUED)

Capital assets for the year ended June 30, 2023:

	Balance			Balance
	June 30, 2022	Additions	Disposals	June 30, 2023
Nondepreciable capital assets:				
Land	\$ 1,085,689	\$ 6,000	\$ -	\$ 1,091,689
Land improvements	58,117	-	-	58,117
Construction in progress	16,649,576	24,352,413	-	41,001,989
Total nondepreciable capital assets	<u>17,793,382</u>	<u>24,358,413</u>	-	<u>42,151,795</u>
Depreciable capital assets:				
Buildings	736,390	-	-	736,390
Sewer infrastructure	36,859,510	590,468	-	37,449,978
Water infrastructure	23,773,410	385,846	-	24,159,256
Total depreciable capital assets	61,369,310	976,314	-	62,345,624
Accumulated depreciation	<u>(20,800,700)</u>	<u>(1,120,718)</u>	-	<u>(21,921,418)</u>
Depreciable capital assets, net	<u>40,568,610</u>	<u>(144,404)</u>	-	<u>40,424,206</u>
Total capital assets, net	<u>\$ 58,361,992</u>	<u>\$ 24,214,009</u>	<u>\$ -</u>	<u>\$ 82,576,001</u>

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

5. LONG-TERM DEBT

The District has issued both general obligation and revenue bonds which consist of the following at June 30:

	2024	2023
2% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$319,000, dated August 1, 2013, is a refinancing of Series 2002 bonds dated September 24, 2002 for the purchase and installation of water meters. Payable in 20 semi-annual installments of approximately \$17,600 until July 1, 2023.	\$ -	\$ 18,000
2.25% State of Montana General Obligation Bonds, Wastewater Revolving Fund Program totaling \$3,739,000, dated April 29, 2013, is a refinancing of Series 2002 bonds used to finance construction of the water treatment plant. Payable in 21 remaining semi-annual installments of approximately \$232,000 until July 1, 2023.	-	231,000
2% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$1,127,000, dated August 1, 2013, is a refinancing of Series 2003 dated May 20, 2003 for the construction of a water tank. Payable in 20 semi-annual installments of approximately \$62,300 until July 1, 2023.	-	62,000
2.25% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$3,867,000, dated August 1, 2013, is a refinancing of Series 2007 dated August 17, 2007 for improvements to the District's water system. Payable in 28 semi-annual installments of approximately \$161,500 until July 1, 2027.	-	197,000
2.25% State Revolving Fund (DNRC Revolving Loan Program) General Obligation Bond totaling \$4,353,000, dated April 29, 2013, is a refinancing of Series 2002 bonds used for the purpose of constructing a wastewater treatment plant. Payable in 21 remaining semi-annual installments of approximately \$207,000 until July 1, 2023.	946,000	1,377,000
Series 2021A Sewer System Revenue Bond totaling \$42,715,929, dated June 1, 2021, is used for the purpose of constructing a Water Resource Recovery Facility (WRRF). This bond is issued as a drawdown bond by a local bank, with advances of principal to be made to the District commencing on June 1, 2021 and concluding no later than December 1, 2024 ("Construction period"). During the Construction Period, interest at a rate of 3.07% per annum accrues from the date of each advance and is due and payable on the 1st day of each month.	32,248,345	21,330,934
2.50% State Revolving Fund (DNRC Revolving Loan Program) totaling \$1,050,000 dated May 18, 2021, is a Series 2021C bond used for the purpose of constructing a Water Resource Recovery Facility (WRRF). Payable in 40 semiannual installments of approximately until July 1, 2041.	1,083,000	988,000
Total long-term debt	34,277,345	24,203,934
Less: current portion	(345,000)	(844,000)
Long-term portion of debt	\$ 33,932,345	\$ 23,359,934

The general obligation bonds are to be repaid semi-annually through 2027 with a mill levy approved in 2004, District plant investment charges, and operating revenue and reserves.

The Series 2021A bond was amended to extend the construction period from December 1, 2023 to December 1, 2024. Since this bond is still in the draw-down phase of the construction period, an amortization schedule has not been agreed-upon between the District and the Holder. As a result, the debt service for this bond is not presented in the debt service maturity table below.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

5. LONG-TERM DEBT (CONTINUED)

	June 30, 2023	Additions	Reductions	June 30, 2024	Amounts due within one year
Bonds payable:					
Sewer System Revenue Bonds, Series 2021A	\$21,330,934	\$10,917,411	\$ -	\$32,248,345	\$ -
SRF Revenue Bonds, Series 2021C	988,000	-	(42,000)	946,000	44,000
SRF Treatment Plant	231,000	-	(231,000)	-	-
SRF Water Meters	18,000	-	(18,000)	-	-
SRF Water Tank	62,000	-	(62,000)	-	-
GO Bonds Treatment Plant	197,000	-	(197,000)	-	-
Improvements	1,377,000	-	(294,000)	1,083,000	301,000
Total bonds payable	24,203,934	10,917,411	(844,000)	34,277,345	345,000
Compensated absences	151,224	1,534	-	152,758	-
Net pension liability	313,424	125,819	-	439,243	-
Total long-term debt	<u>\$24,668,582</u>	<u>\$11,044,764</u>	<u>\$ (844,000)</u>	<u>\$34,869,346</u>	<u>\$ 345,000</u>
	June 30, 2022	Additions	Reductions	June 30, 2023	Amounts due within one year
Bonds payable:					
Sewer System Revenue Bonds, Series 2021A	\$ 1,596,545	\$19,734,389	\$ -	\$21,330,934	\$ -
SRF Revenue Bonds, Series 2021C	1,030,000	-	(42,000)	988,000	42,000
SRF Treatment Plant	686,000	-	(455,000)	231,000	231,000
SRF Water Meters	52,000	-	(34,000)	18,000	18,000
SRF Water Tank	184,000	-	(122,000)	62,000	62,000
GO Bonds Treatment Plant	587,000	-	(390,000)	197,000	197,000
Improvements	1,665,000	-	(288,000)	1,377,000	294,000
Total bonds payable	5,800,545	19,734,389	(1,331,000)	24,203,934	844,000
Compensated absences	128,026	23,198	-	151,224	-
Net pension liability	224,637	88,787	-	313,424	-
Total long-term debt	<u>\$ 6,153,208</u>	<u>\$19,846,374</u>	<u>\$ (1,331,000)</u>	<u>\$24,668,582</u>	<u>\$ 844,000</u>

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

5. LONG-TERM DEBT (CONTINUED)

Debt service requirements at June 30, 2024, were as follows.

Year	Principal	Interest	Total
2025	\$ 345,000	\$ 31,300	\$ 376,300
2026	353,000	26,639	379,639
2027	360,000	21,860	381,860
2028	207,000	16,990	223,990
2029-2033	254,000	65,220	319,220
2034-2038	287,000	38,390	325,390
2039-2043	223,000	9,030	232,030
	<u>\$ 2,029,000</u>	<u>\$ 209,429</u>	<u>\$ 2,238,429</u>

Sewer System General Obligation Bonds - Debt Restrictions

- (a) The District must establish a debt service fund for money to be set aside to pay the debt of the SRF loan.
- (b) Liability insurance must be carried.
- (c) All fund properties, buildings, equipment, and fixtures must be adequately insured with a reputable carrier.
- (d) The District must maintain adequate accounting records.
- (e) The District may invest money in securities, which are fully and unconditionally guaranteed.
- (f) The Sewer Fund must be audited on an annual basis.

The District was in compliance with the bond covenants at June 30, 2024.

Compensated Absences Payable

Compensated absences payable, represent vested vacation and sick leave benefits earned by employees and payable upon termination, as well as additional salary-related charges payable by the District as the employer.

Net Pension Liability - Public Employees' Retirement System (PERS)

At June 30, 2024 and 2023, the District had a liability of \$439,243 and \$313,424, respectively, for its proportionate share of the net pension liability. See Note 6 for more information.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the nonemployer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System Defined Benefit Retirement Plan (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of resources associated with pensions.

a. Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2024, was determined by taking the results of the June 30, 2023, actuarial valuation and applying standard roll forward procedures. The roll forward procedures uses a calculation that adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

i. 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.

ii. Not Special Funding

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

iii. Contributions

The state Legislature has the authority to establish and amend contribution 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.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2023, and 2022, are displayed below. The employer's 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 a particular employer to the total state contributions paid. The employer recorded a liability of \$439,243 and the employer's proportionate share was 0.0180 percent.

As of Measurement Date	Net Pension Liability as of June 30, 2023	Net Pension Liability as of June 30, 2022	Percent of Collective NPL as of June 30, 2023	Percent of Collective NPL as of June 30, 2022	Change in Percent of Collective NPL
Big Sky Co Water & Sewer Dist #363 Proportionate Share	\$ 439,243	\$ 313,424	0.0180	0.0132	0.0048
State of Montana Proportionate Share associated with Employer	129,881	101,846	0.0053	0.0043	0.0010
Total	<u>\$ 569,124</u>	<u>\$ 415,270</u>	<u>0.0233</u>	<u>0.0175</u>	<u>0.0058</u>

b. 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.

c. Changes in benefit terms:

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

d. 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.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

e. Pension expense

As of Measurement Date	Pension Expense as of June 30, 2023	Pension Expense as of June 30, 2022
Big Sky Co Water & Sewer Dist #363 Proportionate Share	\$ 82,357	\$ 29,397
Employer Grant Revenue - State of Montana Proportionate Share for Employer	12,185	10,556
Total	<u>\$ 94,542</u>	<u>\$ 39,953</u>

At June 30, 2023, the employer recognized \$82,357 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$12,185 for the state of Montana proportionate share of the pension expense associated with the employer.

f. Recognition of Deferred Inflows and Outflows

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

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ 17,494	\$ -
Projected Investment Earnings vs. Actual Investment Earnings	1,114	-
Changes in Assumptions	-	15,667
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	81,919	-
Employer Contributions Subsequent to the Measurement Date	135,113	-
Total	<u>\$ 235,640</u>	<u>\$ 15,667</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions are recognized in the employer's pension expense as follows:

For the Measurement Year Ended June 30:	Recognition of Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2024	\$ 32,009
2025	29,545

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

f. Recognition of Deferred Inflows and Outflows (Continued)

For the Measurement Year Ended June 30:	Recognition of Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2026	25,973
2027	(2,666)
Thereafter	\$ -

g. Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), 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, MCA. This plan provides retirement benefits to covered employees of the State, and local governments, and 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 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. 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.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

h. Summary of Benefits

i. Eligibility for benefit

Service retirement:

Hire 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:

Hire 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.

ii. Vesting

5 years of membership service..

iii. 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;

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

h. Summary of Benefits (Continued)

iv. 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.

v. 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.

vi. Guaranteed Annual Benefit Adjustment (GABA)

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

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

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

i. Overview of Contributions

Members 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 Montana Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Local Government	
	hired <07/01/11	hired after >07/01/11	Employer	State of Montana
2024	7.9000	7.9000	9.0700	0.1000
2023	7.9000	7.9000	8.9700	0.1000
2022	7.9000	7.9000	8.8700	0.1000
2021	7.9000	7.9000	8.7700	0.1000
2020	7.9000	7.9000	8.6700	0.1000
2019	7.9000	7.9000	8.5700	0.1000
2018	7.9000	7.9000	8.4700	0.1000
2017	7.9000	7.9000	8.3700	0.1000
2016	7.9000	7.9000	8.2700	0.1000
2015	7.9000	7.9000	8.1700	0.1000
2014	7.9000	7.9000	8.0700	0.1000
2012-2013	6.9000	7.9000	7.0700	0.1000
2010-2011	6.9000	-	7.0700	0.1000
2008-2009	6.9000	-	6.9350	0.1000
2000-2007	6.9000	-	6.8000	0.1000

- 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.
- Employer contributions to the system:
 - 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.
 - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

i. Overview of Contributions (Continued)

- Non Employer Contributions:
 - Special Funding
 - The State contributed 0.1% of members' compensation on behalf of local government entities.
 - The State contributed 0.37% of members' compensation on behalf of school district entities.
 - The State contributed a Statutory Appropriation from the General Fund of \$34,633,570.

j. Stand-Alone Statements

The financial statements 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 the MPERA website at <http://mpera.mt.gov>.

k. Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2023. There were several significant assumptions and other inputs used to measure the TPL. Among those assumptions were the following.

- | | |
|--|-----------|
| • Investment return (net of admin expense) | 7.30% |
| • Admin expense as a % of payroll | 0.28% |
| • General wage growth * | 3.50% |
| *Includes inflation at | 2.75% |
| • Merit increases | 0 to 4.8% |

- 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
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among active participants were 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 retirees were based on PUB-2010 General Amount Weighted Disabled Retiree Mortality Table, projected to 2021, set forward one year for

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

k. Actuarial Assumptions (Continued)

both males and females.

- Mortality assumptions among contingent survivors were based on 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.
- Mortality assumptions among Healthy Retirees were 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.

l. 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 a statutory appropriation 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.

m. 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, 2023, 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 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 weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption intended to be long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

m. Target Allocations (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	3.0000	(0.3300)
Domestic equity	30.0000	5.9000
International equity	17.0000	7.1400
Core Fixed income	15.0000	1.1400
Non-core Fixed Income	6.0000	3.0200
Private investments	15.0000	9.1300
Real Assets	5.0000	4.0300
Real estate	9.0000	5.4100
Total	<u>100.0000 %</u>	

n. Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of Measurement Date	1.0% Decrease (6.30%)	Current Discount Rate	1.0% Increase (8.30%)
Big Sky Co Water & Sewer Dist #363's Net Pension Liability	\$ 634,485	\$ 439,243	\$ 275,453

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

o. Summary of Significant Accounting Policies

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).

p. PERS Disclosure for the Defined Contribution Plan

The Authority 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 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 Montana 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 the 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.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

6. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

p. PERS Disclosure for the Defined Contribution Plan (Continued)

At the plan level for the measurement period ended June 30, 2023, the PERS-CRP 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.

7. COMMITMENTS AND CONTINGENCIES

a. Risk Management

The District 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, and e) workers' compensation (i.e., employee injuries). The District participates in a risk pool, which provides general liability insurance, auto liability insurance, crime/bond coverage, errors and omissions insurance, earthquake insurance, and property insurance. This pool purchases commercial insurance to cover the members' risks; the District does not assume the liabilities of other entities. Workers' compensation insurance coverage is provided through a commercial policy.

b. Yellowstone Mountain Club Agreement

On March 28, 2001, the District signed an agreement with the Yellowstone Mountain Club and other related entities owned by a developer for the sale of water, treatment of wastewater, and right to use land for the storage and disposal of treated wastewater. The developer shall construct lined ponds for the storage of treated wastewater, on its property, with a total combined storage capacity of 130,000,000 gallons. The District shall have the right to dispose up to 160,000,000 gallons of treated wastewater per year on land owned by the developer in exchange for a capital asset commitment of approximately \$18 million. The developer will construct storage ponds and a golf course irrigation system totaling approximately \$6.6 million.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2024, the date on which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE LAST TEN FISCAL YEARS*

As of Measurement Date, Year Ended June 30:	Employer's Proportion of NPL (%)	Employer's NPL	State's NPL	Total	Employer's Covered Payroll	Employer's Proportionate Share as a % of Covered Payroll	Plan Fiduciary NPL as a % of TPL
2023	0.0180	\$ 439,243	\$ 129,881	\$ 569,124	\$ 334,640	131.2600	73.9300
2022	0.0132	313,424	101,846	415,270	231,636	135.3100	73.6600
2021	0.0124	224,637	71,529	296,166	218,833	102.6500	79.9100
2020	0.0128	336,686	115,036	451,722	214,123	157.2400	68.9000
2019	0.0137	286,700	99,839	386,539	226,307	126.6900	73.8500
2018	0.0137	286,247	101,712	387,959	225,549	126.9100	73.4700
2017	0.0150	291,368	11,820	303,188	185,583	157.0000	73.7500
2016	0.0145	247,117	3,019	250,136	173,777	142.2000	74.7100
2015	0.0138	192,784	2,368	195,152	160,947	119.7800	78.4000
2014	0.0112	\$ 139,967	\$ 1,709	\$ 141,676	\$ 156,510	111.2200	79.8700

*The amounts presented for each fiscal year were determined as of June 30, the measurement date. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 SCHEDULE OF CONTRIBUTIONS
 FOR THE LAST TEN FISCAL YEARS*

As of Reporting Date, Year Ended June 30:	Contractually Required DB Contributions	Plan Choice Rate Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 61,725	\$ -	\$ 61,725	\$ -	\$ 680,540	9.0700 %
2023	30,267	-	30,267	-	334,640	9.0400
2022	20,601	-	20,601	-	231,636	8.8900
2021	19,393	-	19,393	-	218,833	8.8600
2020	18,760	-	18,760	-	214,123	8.7600
2019	19,464	-	19,464	-	226,307	8.6000
2018	19,104	-	19,104	-	225,549	8.4700
2017	15,533	-	15,533	-	185,583	8.3700
2016	14,525	9,465	23,990	-	173,777	13.8100
2015	\$ 13,263	\$ 14,568	\$ 27,831	\$ -	\$ 160,947	17.2900

*The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Changes of Benefit Terms

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

2017:

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

1. Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2. 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.
3. Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

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.

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

CHANGE IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2022 actuarial valuation:

General Wage Growth *	3.50%
Investment Rate of Return *	7.30%
* includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality	
- Active Participants	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 Services	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.

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.

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

To the Board of Directors
Big Sky County Water & Sewer District No. 363

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 Big Sky County Water & Sewer District No. 363, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Big Sky County Water & Sewer District No. 363's basic financial statements, and have issued our report thereon dated December 17, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Sky County Water & Sewer District No. 363'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 Big Sky County Water & Sewer District No. 363's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Sky County Water & Sewer District No. 363's internal control.

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 Big Sky County Water & Sewer District No. 363's financial statements are free from 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*.

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.



Holmes & Turner
Bozeman, Montana
December 17, 2024

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2024

Current Year Findings:

None.

Prior Year Findings:

None.