

BIG SKY WATER AND SEWER DISTRICT NO. 363

AUDITED FINANCIAL STATEMENTS

June 30, 2025 and 2024



AMATICS
CPA GROUP

**BIG SKY WATER AND SEWER DISTRICT NO. 363
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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Big Sky Water and Sewer District No. 363
Big Sky, MT**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Sky Water and Sewer District No. 363 ("the District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Sky Water and Sewer District No. 363, as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Sky Water and Sewer District No. 363 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 opinion.

Prior Period Financial Statements

The financial statements of Big Sky Water and Sewer District No. 363 as of June 30, 2024 were audited by other auditors whose report dated December 17, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 a substantial doubt about Big Sky Water and Sewer District No. 363'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.



Auditors' 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 auditors' report that includes our opinion. 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 Big Sky Water and Sewer District No. 363'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 Big Sky Water and Sewer District No. 363'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, schedules of proportionate share of the District's net pension liability, and schedules of the District's contributions for PERS pension plan, as listed in the table of contents, 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. 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 the *Government Auditing Standards*, we have also issued our report dated November 21, 2025, 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.

A handwritten signature in black ink that reads "Ametis CPA Group". The signature is written in a cursive, flowing style.

Bozeman, Montana
November 21, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Big Sky County Water & Sewer District

Management Discussion and Analysis (July 1, 2024–June 30, 2025)

The Big Sky County Water & Sewer District No. 363 (the District), established in 1994 under Montana Code Annotated Title 7, Chapter 13, operates as a public water and sewer system serving approximately 3,600 customers across Gallatin and Madison Counties. The District's service area extends from the Meadow Village to the Big Sky Ski Area, encompassing a wide range of elevations that create both operational challenges and opportunities.

The District functions as a governmental enterprise, maintaining accounting practices similar to a for-profit organization, excluding federal and state income taxes. The District reports all of its financial activity as a single enterprise fund, consistent with proprietary fund accounting under GASB standards. This structure reflects the District's business-type operations, where costs of providing water and sewer services are primarily recovered through user fees and system charges rather than property taxes or general governmental revenues.

The primary financial statements include: • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows

Each statement provides critical information regarding the District's financial stability, performance, and liquidity.

Assets and Liabilities

Total net fixed assets decreased 2.94% during FY 2024–2025, from \$94,252,418 to \$91,478,609, primarily due to the loss on disposal of the old sewer plant. While the District continued to invest in both the water and sewer systems, depreciation and the asset disposal outweighed new additions. The District's \$27 million commitment from the Big Sky Resort Area District (BSRAD) for the new treatment plant was drawn down by \$3,145,122, reducing the year-end receivable to \$12,702,449.

Sewer Department

Sewer capital assets decreased from \$92,790,402 to \$86,503,554, reflecting the following changes:

- \$1,336,499 Prior period adjustment for engineering costs
- (\$4,795,451) Loss on disposal of SBR Sewer Plant
- \$3,043,254 Water Resource Recovery Facility (WRRF) Plant additions through June 30, 2025
- \$27,270 Irrigation system additions
- \$92,750 Vehicle fleet additions
- \$3,187 Furniture additions

- \$4,283 Computer additions
- \$124,968 Booster station engineering
- \$148,862 New pumps for booster station

The District continues to recognize the Big Sky Search and Rescue Building as a District asset, adding \$6,000 in FY 2024–2025. The agreement with Big Sky Search and Rescue outlines reversion conditions, though the arrangement is expected to remain perpetual.

Water Department

Water capital assets increased from \$24,581,672 to \$24,859,437, primarily due to:

- \$23,000 Butte Fire Pump
- \$48,000 Leak detection equipment
- \$37,434 Water main replacement
- \$16,023 Fire hydrants
- \$89,094 Vehicle additions
- \$6,597 Computers
- \$37,770 Water meters
- \$19,046 Cascade Ridge Extension system contribution

Long-Term Liabilities

Long-term liabilities rose from \$34,869,345 to \$41,718,934, including new debt for the treatment plant and adjustments to pension liabilities. The First Security Bank loan is fixed at 3.07% for 20 years and will adjust thereafter to the one-year Treasury rate plus 1.5%. Four State Revolving Fund (SRF) loans were paid off on July 1, 2023. The remaining SRF loans are scheduled for payoff in 2027 (drinking water project) and 2041 (sewer projects).

The Net Pension Liability (NPL) increased from \$439,243 to \$849,517, reflecting actuarial updates under GASB 68. This increase added \$252,374 to pension expenses but does not materially affect the District's long-term financial position.

Current Liabilities

Current liabilities decreased from \$7,591,315 to \$4,131,586, driven by reductions in:

- Accounts payable decreased from \$1,471,406 to \$910,439 (\$506,967)
- Performance bonds and retainage payable decreased from \$5,649,911 to \$1,873,274 (\$3,776,637). These reductions reflect the completion of major construction-related payables from FY 2023–2024.

The current portion of long-term liabilities increased from \$345,000 to \$1,347,873, reflecting new debt service requirements.

Total liabilities increased 5.67%, primarily due to new debt related to the WRRF project.

	Total Assets	Growth Rate	Total Liabilities	Growth Rate
FY 20-21	\$93,320,100	48.95%	\$10,619,680	17.99%
FY 21-22	\$ 93 96,597,410	0.3 03.51%	\$11,808,569	11.20%
FY 22-23	\$119,015,731	27.1 623.21%	\$31,741,234	168.80%
FY 23-24	\$129,320,716	8.66%	\$42,115,660	32.68%
FY 24-25	\$127,534,651	(1.38%)	\$44,502,647	5.67%

Revenues and Expenses

Operating revenues rose from \$4,774,520 to \$5,371,643 (+12.5%), driven by a 5% rate increase and higher usage. Sewer usage increased 6.27%, and water usage increased 14.7%. The sewer department added 133 new hookups (+3.84%), while the water department added 90 (+2.65%).

Revenues and General Obligation Bonds

Total non-operating revenue, net of interest expenses and other non-operating expenses, decreased from \$4,177,976 to \$1,572,477.

The District collected \$324,260 in general obligation (GO) bond tax receipts for payments on the State Revolving Fund Loans used to finance:

- The water tank
- Water meters
- Two water system rehabilitation projects (Hidden Village and Silverbow Condominiums)
- New Meadow Village water wells 4 & 5

Additionally, the Big Sky Resort Area District (BSRAD) contribution was \$3,145,122 for the new treatment plant.

Sewer investment charges increased from \$610,680 to \$1,033,108 due to higher single-family equivalent (SFE) permit submissions.

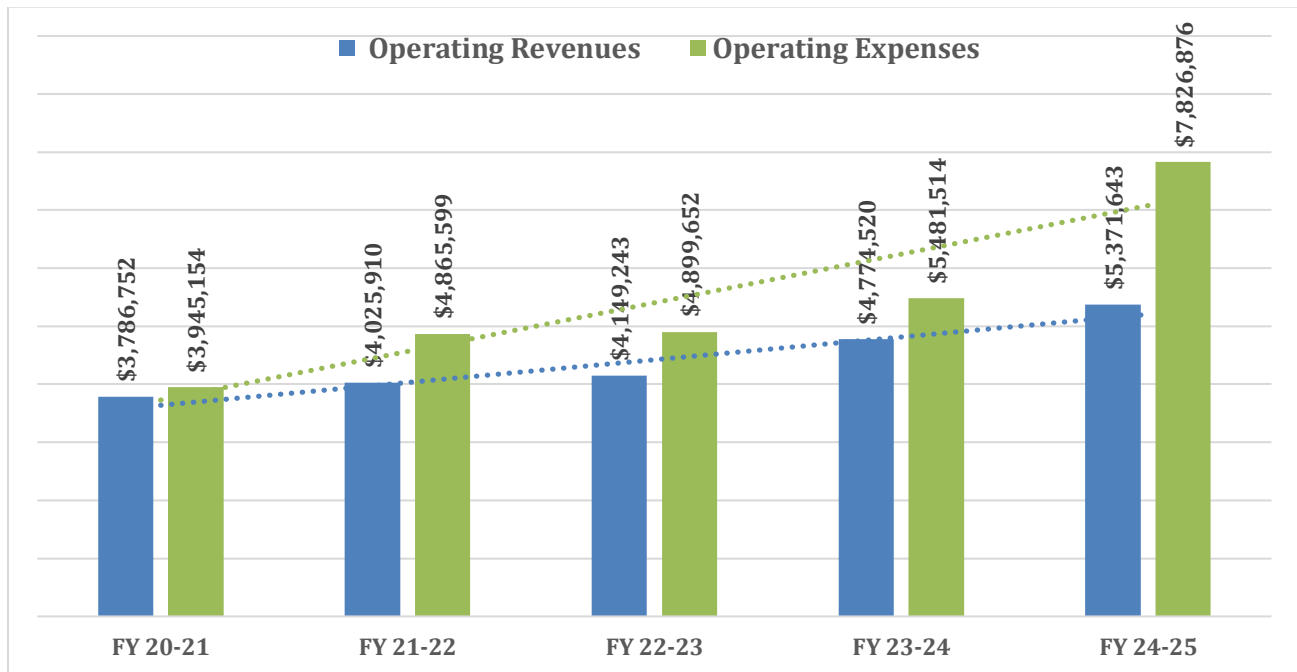
Water investment charges also increased from \$152,898 to \$512,270 for the same reason. Interest income saw a nominal decline from \$511,585 to \$511,041, reflecting slightly lower cash balances.

Expense Increases and Cost Drivers

Operating expenses increased from \$5,481,514 to \$7,826,876 (+42.8%), largely due to:

- Additional staffing and benefit costs
- Increased insurance premiums
- Higher legal fees related to the Cottonwood Environmental lawsuit
- Greater depreciation on new WRRF assets (+\$700,000 year-over-year)

The increase in total expenses reflects both legal costs (Cottonwood lawsuit and bond issuance) and interest expense related to new debt financing.



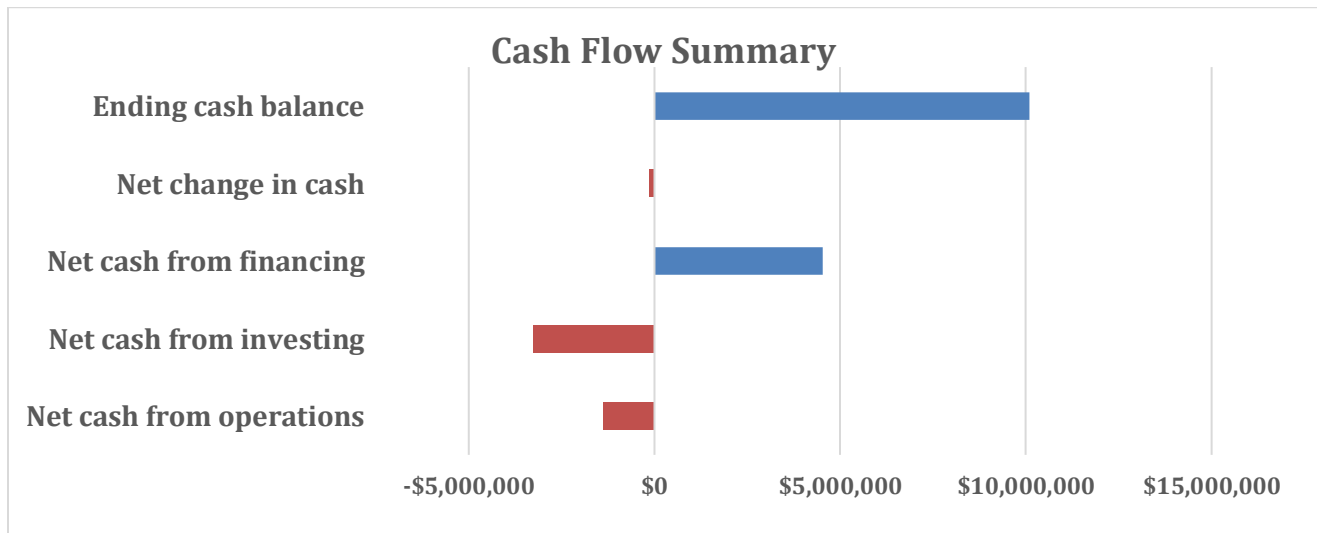
The following summarizes key multi-year increases in revenues and expenses:

Category	FY 20–21	FY 21–22	FY 22–23	FY 23–24	FY 24–25
BSRAD Contribution	\$2,587,500	\$2,716,875	\$2,852,719	\$2,995,335	\$3,145,122
Spanish Peaks SIC Release	–	–	–	–	\$1,986,254
Legal & Support Fees (Cottonwood)	\$406,842	\$1,151,462	\$464,488	\$256,062	\$990,547
Interest Expense on Debt	\$105,706	\$117,833	\$437,376	\$945,150	\$1,184,379
Loss on Disposal of Plant Assets	–	–	–	–	\$4,795,451

Non-Operating Expenses Details — FY 2024–2025

Category	Description	Amount / Detail
State Revolving Fund Loans	Principal payments	\$345,000
	Interest paid	\$42,119
	Total payments (principal + interest)	\$387,119
First Security Bank Loan (New Treatment Plant)	Loan closed Dec 1, 2024	\$40,440,114
	Interest payments amount	\$587,976
	Principal payments amount	\$105,143
	Additional Principal payment amount	\$400,000
	Total payment (principal + interest + add'l principal)	\$1,093,118
	Payment schedule: Start 1/1/2025	Semi-annual (July 1 and Jan 1)
	Repayment goal	Within 20 years (before interest rate reset)

Cash Flow Summary



Despite large capital investments, liquidity remained stable.

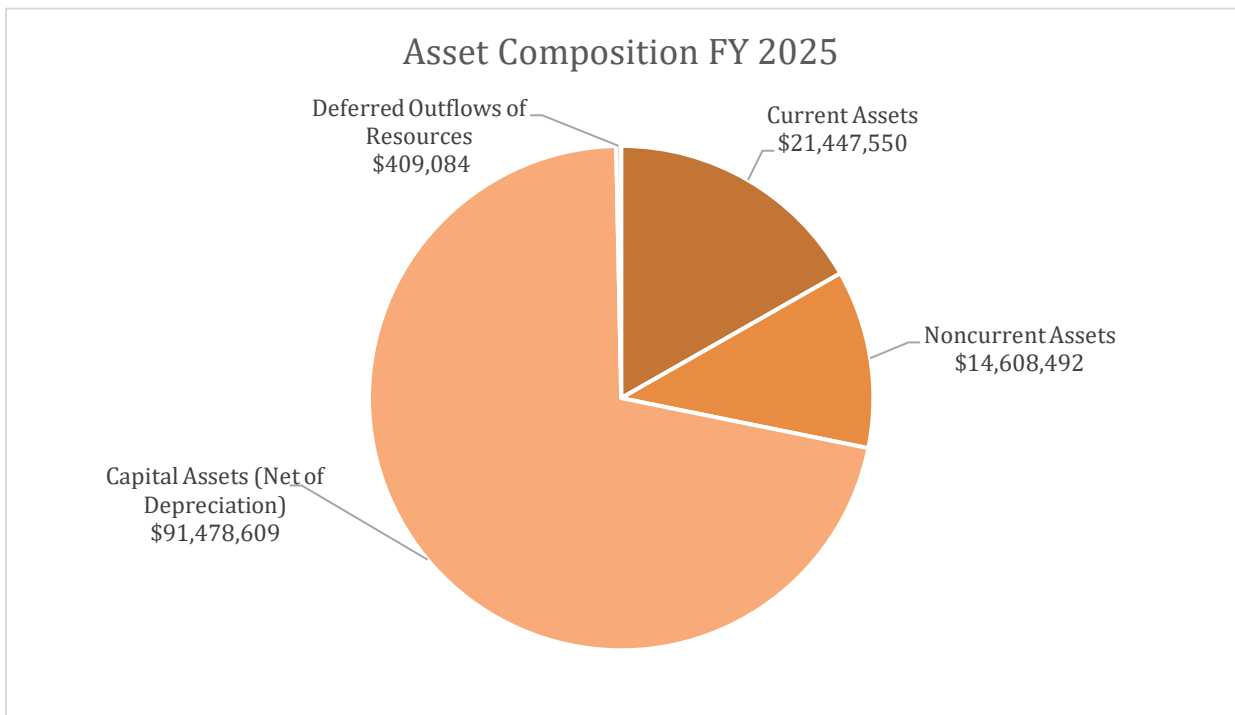
Capital Assets Summary

During fiscal year 2024–2025, the Big Sky County Water & Sewer District accepted one new water system extension — the Cascade Ridge Extension Lower Road improvements — as a donated capital asset.

Donated and Contributed Assets

- Donated capital assets typically include water and sewer main extensions and related infrastructure required to serve new subdivisions and development projects.
- These assets are transferred to the District through formal recorded agreements at the county level and are accompanied by a two-year warranty, secured by either cash or a letter of credit equal to 10% of the asset’s cost basis.
- Upon acceptance, contributed assets are recorded as either water or sewer assets and are depreciated according to District policy.
- The recorded asset value is recognized as non-operating income in the fiscal year of acceptance.

In FY 2024–2025, contributed assets totaled **\$19,046** for the Cascade Ridge Extension



Net Position Overview

As of June 30, 2024, the District’s total net position was \$70,719,748, a decrease of \$857,710 from the prior fiscal year.

Breakdown:

- \$1,875,869 restricted debt service (\$191,174)
- \$1,663,257 restricted WRRF +\$1,656,447
- \$49,741,124 invested in capital assets, net of related debt (\$11,570,448)
- \$17,439,498 unrestricted assets, including cash +\$9,247,465

The reduction in ‘invested in capital assets’ reflects the additional debt incurred for the WRRF, depreciation expense, and prior-period adjustments. Conversely, the increase in unrestricted assets primarily resulted from financing activities.

Water Resource Recovery Facility (WRRF)

Construction of the WRRF was substantially completed in December 2024 by Record Steel and Construction, Inc. (RSCI), with engineering oversight from Advanced Engineering & Environmental Services, Inc. (AE2S). AE2S will remain onsite through December 2025 for system startup and warranty support.

- Total construction and engineering costs were approximately \$60 million through December 2024.

Rate Structure and Future Adjustments

The District’s rate structure for residential, commercial, irrigation, and reuse water customers continues to support equitable cost recovery.

- A reuse volumetric charge was implemented last fiscal year and continued through FY 2024–2025.
- Following a recent water and sewer rate study by AE2S, the District plans to implement the following adjustments for FY 2025–2026:
 - A 10% base and 3% volumetric sewer rate increase
 - A 5% across-the-board water rate increase.
- A new investment charge study will be performed in FY 2025–2026, with potential implementation in the same fiscal year.
- Another comprehensive rate study is planned for FY 2026–2027 to maintain long-term financial sustainability.

Over the past decade, the District has maintained a stable and predictable rate structure, implementing moderate annual increases to support system reliability and long-term capital planning. Historically, rate

adjustments were uniform across all customer classes. However, beginning in fiscal year 2019–2020, the District restructured its rate system to better reflect actual service demands by introducing separate rate categories for residential, commercial, irrigation, and reuse customers. This refinement created a more equitable and cost-based framework that aligns revenue recovery with usage patterns. In fiscal year 2023–2024, the District implemented its first volumetric charge for reuse water, further encouraging conservation while ensuring that users contribute proportionally to system operating costs. The table below summarizes ten years of rate adjustments, demonstrating the District’s ongoing commitment to balancing affordability, fairness, and fiscal responsibility.

	Water Base	Δ%	Water Usage	Δ%	Sewer Base	Δ%	Sewer Usage	Δ%
FY 14-15	\$15.77	1%	\$2.54	1%	\$24.39	1%	\$5.94	1%
FY 15-16	\$15.93	1%	\$2.57	1%	\$24.63	1%	\$6.00	1%
FY 16-17	\$16.57	4%	\$2.67	4%	\$26.35	7%	\$6.42	7%
FY 17-18	\$16.73	1%	\$2.70	1%	\$26.62	1%	\$6.48	1%
FY 18-19	\$16.90	1%	\$2.73	1%	\$26.88	1%	\$6.55	1%
FY 19-20	\$17.58	4%	\$2.98	9%	\$28.22	5%	\$6.88	5%
FY 20-21	\$17.58	0%	\$2.98	0%	\$28.22	0%	\$6.88	0%
FY 21-22	\$18.46	5%	\$3.13	5%	\$29.63	5%	\$7.22	5%
FY 22-23	\$19.38	5%	\$3.29	5%	\$31.11	5%	\$7.58	5%
FY 23-24	\$22.29	15%	\$3.78	15%	\$35.78	15%	\$8.72	15%
FY 24-25	\$23.40	5%	\$3.97	5%	\$37.57	5%	\$9.16	5%

Water and sewer usage charges are for each thousand gallons metered or fraction of a thousand gallons. The base charges are for one month of service for water, sewer, irrigation, or reuse.

Budget Vs. Actual Performance

At year-end, total revenues were 129.91% of budget, and total expenses were 153.14% of budget, resulting in a net revenue variance of (194.58)%. The actual operating deficit was \$2,455,233, slightly better than the \$2,542,104 budgeted.

Administrative expenses reached 139.21% of budget, primarily due to unplanned legal fees and higher insurance costs from the addition of the new plant. The Board has forgone its monthly stipends since inception of the District and used those funds for staff and community events.

The District monitors departmental spending closely to ensure accountability and transparency.

- Sewer administration: 92.42% of budget
- Water administration: 92.06% of budget
- Sewer operations: 95.87% of budget
- Water operations: 84.01% of budget

Departmental Categories and Expense Drivers

The sewer and water department operating budgets are divided into seven categories: vehicles, operating expenses, repairs and maintenance, professional services, miscellaneous, asset replacement & depreciation, and special projects.

In FY 2024–2025, sewer operations exceeded budget tolerance in vehicles, operating expenses, repairs and maintenance, and miscellaneous.

- **Vehicles** – 111.61% of budget: Overage was due to unexpected repairs on the District’s heavy equipment and vehicle fleet.
- **Operating Expenses** – 114.99% of budget: Higher propane, electricity, and chemical use occurred during the first full year powering and operating the new WRRF plant. These categories will be amended in the FY 2025–2026 budget.
- **Lab Testing** – 451.56% of budget: Increased testing and supply usage at the new facility led to significant overages; future budgets will be adjusted.
- **Compost Supplies** – 392.08% of budget: The new plant produces significantly more solids than the old one, requiring more composting materials and offsite disposal. A new Bio Solids Disposal line item was added, with \$46,000 spent in FY 2024–2025 for transport and disposal.
- **Repairs & Maintenance** – 192.70% of budget: Major overages came from treatment plant, filter building, YC pump station, pond, and irrigation maintenance. These reflected unforeseen first-year costs for the new facility and early timing of pond cleanout work.

New WRRF Plant Expenses

The first full operational year of the new WRRF brought unanticipated expenses related to higher energy use, chemical demand, maintenance, and biosolids management. The District has budgeted additional funds in FY 2025–2026 to address these recurring costs and is advancing the centrifuge biosolids processing project.

Non-Operating Results

Non-operating revenues reached 153.94% of budget, while non-operating expenses were 83.46%. Sewer and water investment charges exceeded projections, and interest income slightly underperformed expectations.

Debt and Funding

At fiscal year-end, the District held two SRF loans totaling \$1,684,000 and an FSB loan balance of \$39,053,485, used for WRRF construction, engineering, pond maintenance, and biosolids management. The WRRF project cost approximately \$60 million through December 2024. The FSB loan will be repaid through user rate revenues, with a target payoff within 20 years before the rate adjustment.

Clarification

The BSRAD receivable is classified under “Due from Other Governments (noncurrent)” in the Basic Financial Statements, consistent with governmental accounting standards for long-term intergovernmental receivables.

Conclusion

The District’s outlook for the upcoming fiscal year is expected to mirror FY 2024–2025, with expenses continuing to outpace current revenue levels. To address this imbalance, the additional rate increases approved for FY 2025–2026 will take effect.

The District remains financially stable, with sufficient reserves and funding capacity to sustain operations and meet debt service obligations. However, inflationary pressures, continued infrastructure expansion, and rising operational costs will continue to affect the District’s financial outlook. To maintain service quality, regulatory compliance, and fiscal health, future rate adjustments will likely be necessary.

Both the Management’s Discussion and Analysis and the Basic Financial Statements provide accurate, transparent financial information that aligns with governmental accounting standards. Minor revisions—such as typographical corrections and standardized terminology—have been incorporated to improve clarity and consistency.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF NET POSITION
June 30, 2025 and 2024

ASSETS		
	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 4,889,361	\$ 3,925,600
Investments	10,967,376	7,074,831
Accounts receivable, net	1,357,986	1,149,742
Due from other governments, current	3,302,379	3,145,122
Inventory	554,578	515,362
Prepaid expenses	<u>375,870</u>	<u>244,152</u>
Total current assets	<u>21,447,550</u>	<u>16,054,809</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	5,208,422	6,311,040
Due from other governments, noncurrent	<u>9,400,070</u>	<u>12,702,449</u>
Total noncurrent assets	<u>14,608,492</u>	<u>19,013,489</u>
CAPITAL ASSETS , net of depreciation	<u>91,478,609</u>	<u>94,252,418</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>409,084</u>	<u>235,640</u>
Total assets and deferred outflows of resources	<u>\$ 127,943,735</u>	<u>\$ 129,556,356</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 910,439	\$ 1,471,406
Performance bonds and retainage payable	1,873,274	5,649,911
Tax refund payable	-	124,998
Current portion of long term liabilities	<u>1,347,873</u>	<u>345,000</u>
Total current liabilities	<u>4,131,586</u>	<u>7,591,315</u>
LONG-TERM LIABILITIES		
Water and wastewater system bonds, noncurrent	38,915,612	33,150,345
General obligation bonds, noncurrent	474,000	782,000
Compensated absences payable	131,932	152,757
Net pension liability	<u>849,517</u>	<u>439,243</u>
Total long-term liabilities	<u>40,371,061</u>	<u>34,524,345</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,721,340</u>	<u>15,863,238</u>
NET POSITION		
Restricted for debt service	1,875,869	2,067,043
Restricted for Water Resource Recover Facility (WRRF)	1,663,257	6,810
Net invested in capital assets	49,741,124	61,311,572
Unrestricted	<u>17,439,498</u>	<u>8,192,033</u>
Total net position	<u>70,719,748</u>	<u>71,577,458</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 127,943,735</u>	<u>\$ 129,556,356</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended June 30	
	2025	2024
OPERATING REVENUES		
Sewer services	\$ 3,043,196	\$ 2,721,131
Water services	2,328,447	2,053,389
Total operating revenues	5,371,643	4,774,520
OPERATING EXPENSES		
General and administrative		
Advertising	2,882	1,220
Dues and subscriptions	8,700	4,758
Education expenses	6,056	3,267
Insurance	328,972	269,869
Janitorial and carpet services	4,814	4,690
Meetings	18,134	44,341
Miscellaneous	8,077	6,635
Office building repairs and maintenance	27,106	14,258
Office supplies and expenses	33,508	29,300
Payroll taxes and benefits	203,235	111,171
Legal fees	990,547	256,062
Other professional fees	90,043	60,828
Telephone and computer maintenance	24,956	20,081
Salaries	689,705	656,839
Utilities	5,857	6,441
Vehicle expenses	5,353	3,420
Total general and administrative	\$ 2,447,945	\$ 1,493,180

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

OPERATING EXPENSES (Continued)	Years Ended June 30	
	2025	2024
Sewer general and administrative		
Salaries and wages	\$ 557,807	\$ 387,617
Insurance	148,873	100,277
Payroll taxes and benefits	158,993	68,626
Dues and subscriptions	1,853	808
Telephone	6,018	5,678
Office supplies	3,113	1,065
Education expense	4,071	2,854
Total sewer general and administrative	880,728	566,925
Sewer plant expenses		
Chemicals	91,162	166,854
Depreciation	1,406,615	702,161
Engineering	194,943	173,044
Fuel - equipment and vehicles	14,527	14,066
Lab testing equipment	6,773	5,771
Maintenance and repairs - building and grounds	192,436	80,512
Miscellaneous	66,142	3,041
Safety equipment	4,323	3,127
Sewer repairs and maintenance	102,218	105,389
Treatment plant repairs and maintenance	77,228	46,237
Electric and utilities	474,536	429,552
Travel and vehicle expense	30,697	23,818
Waste water monitoring	42,799	53,860
Total sewer plant expense	\$ 2,704,399	\$ 1,807,432

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

OPERATING EXPENSES (Continued)	Years Ended June 30	
	2025	2024
Water general and administrative		
Salaries and wages	\$ 446,634	\$ 370,809
Insurance	111,660	83,226
Payroll taxes and benefits	129,468	66,046
Dues and subscriptions	2,289	3,043
Telephone	6,567	7,933
Office supplies	1,890	457
Education expense	12,451	4,724
Public water supply fee	5,198	5,060
Total water general and administrative	716,157	541,298
Water plant expenses		
Depreciation	505,328	496,078
Fuel - equipment and vehicles	8,360	12,756
Lab testing equipment	6,206	2,935
Miscellaneous	39,980	2,660
Repairs and maintenance	124,768	286,439
Special projects	168,825	54,321
Safety equipment	2,801	1,393
Electric and utilities	191,405	193,970
Travel and vehicle expense	29,974	22,127
Total water plant expenses	1,077,647	1,072,679
Total operating expenses	7,826,876	5,481,514
Operating income (loss)	\$ (2,455,233)	\$ (706,994)

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)

	Years Ended June 30	
	2025	2024
NONOPERATING REVENUES AND (EXPENSES)		
Interest expense	\$ (1,184,379)	\$ (945,150)
Other nonoperating expense	(6,379)	(20,457)
Loss on disposal of plant assets	(4,795,451)	-
Tax receipts for bond payments	3,469,382	3,440,334
Plant investment charges	1,033,108	610,680
Water system investment charges	512,270	152,898
Interest income	511,041	511,585
Resort tax appropriation	-	414,000
Other nonoperating revenue	2,032,885	14,086
Total nonoperating revenues and (expenses)	1,572,477	4,177,976
Income before contributions	(882,756)	3,470,982
Capital contributions	25,046	908,726
CHANGE IN NET POSITION	(857,710)	4,379,708
Net position at beginning of year, as originally reported	71,577,458	68,534,249
Prior period adjustment	-	(1,336,499)
Net position at beginning of year, as restated	71,577,458	67,197,750
NET POSITION, end of year	\$ 70,719,748	\$ 71,577,458

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 5,163,399	\$ 4,458,485
Payments to suppliers and employees	<u>(6,552,603)</u>	<u>(4,951,674)</u>
Net cash used by operating activities	<u>(1,389,204)</u>	<u>(493,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	511,041	511,585
Proceeds from performance bonds and fees	106,769	774,871
Purchases of investments	<u>(3,890,520)</u>	<u>(370,585)</u>
Net cash provided (used) by investing activities	<u>(3,272,710)</u>	<u>915,871</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(1,731,630)	(844,000)
Cash received from bond issuance	8,191,770	10,917,410
Purchases of capital assets	(5,785,259)	(13,916,080)
Interest paid on capital debt	(1,184,379)	(945,150)
Taxes collected for bond payments	324,261	444,999
Infrastructure tax for WRRF project	3,145,122	2,995,335
Proceeds from capital grants	-	1,027,651
Other receipts (payments)	<u>1,563,172</u>	<u>757,207</u>
Net cash provided by capital and related financing activities	<u>4,523,057</u>	<u>437,372</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(138,857)	860,054
Cash and cash equivalents at beginning of year	<u>10,236,640</u>	<u>9,376,586</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 10,097,783</u></u>	<u><u>\$ 10,236,640</u></u>
Classified As:		
Cash and cash equivalents - unrestricted	\$ 4,889,361	\$ 3,925,600
Restricted cash and cash equivalents	<u>5,208,422</u>	<u>6,311,040</u>
Total cash and cash equivalents	<u><u>\$ 10,097,783</u></u>	<u><u>\$ 10,236,640</u></u>

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS (Continued)

	Years Ended June 30	
	2025	2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,455,233)	\$ (706,994)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	1,911,943	1,198,239
(Increase) decrease in operating assets		
Accounts receivable	(208,244)	(139,930)
Prepaid expenses	(131,718)	(191,067)
Inventory	(39,216)	(62,269)
Deferred outflows of resources	(173,444)	(110,036)
Due from other governments	3,145,122	2,995,335
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(560,967)	(726,203)
Compensated absences payable	(20,825)	1,533
Net pension liability	410,274	125,819
Deferred inflows of resources	(3,141,898)	(3,002,614)
Overpaid taxes	(124,998)	124,998
Net cash used by operating activities	\$ (1,389,204)	\$ (493,189)
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:		
Non-cash transactions:		
Interest in building	\$ -	\$ 6,000
Donated capital assets	\$ 25,046	\$ 908,726

See the accompanying independent auditors' report.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Sky Water and Sewer District No. 363 (the 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.

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 executive director. The District serves approximately 3,000 customers.

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, deferred outflows of resources and liabilities (whether current or noncurrent), deferred inflows or resources 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 full accrual basis accounting, with revenues recorded when earned and expenses recorded when incurred, even though actual payment, billing or receipt may not occur until after the period ends.

Pursuant to GASB Statement No. 62, the District follows all GASB pronouncements and may apply Financial Accounting Standards Board (FASB) pronouncements for accounting issues not addressed by GASB literature, unless it conflicts or contradicts GASB pronouncements.

Revenue and Expenses

Revenues and expenses are distinguished between operating and non-operating 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 services are 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 or wastewater, and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 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.

Inventory

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

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 WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees accrue vacation leave based on years of service as follows: 0–5 years at 120 hours per year (10 hours per month), 6–10 years at 144 hours per year (12 hours per month), 11–15 years at 168 hours per year (14 hours per month), and 16 or more years at 192 hours per year (16 hours per month). Sick leave accrues at 96 hours per year (8 hours per month). Upon termination, unused sick leave is paid out at 25%. Unused vacation may not be accrued beyond two times the annual amount. Excess vacation must be used within 90 days of the next calendar year or be forfeited.

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 classified in the following categories:

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.

Restricted net position – consists 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 government or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position is reported in this category.

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.

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.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

The District is not legally required to adopt a budget; therefore, budgetary comparison information is not included in the District's financial statements.

Use of Estimates

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

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).

Capital Contributions

Contributions are recognized in the statement of revenues, expenses and changes in net position when received. Contributions include developer contributed utility systems.

Reclassifications

Certain reclassifications have been made to the 2024 balances to conform to the 2025 presentation. The reclassifications did not have an effect on previously reported net position.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2025	2024
Cash - checking and savings	\$ 4,397,106	\$ 798,564
Money market funds	5,700,677	9,438,076
	\$ 10,097,783	\$ 10,236,640

The District maintains cash balances in separate bank accounts at a financial institution. The bank balance as of June 30, 2025 and 2024 was \$10,407,539 and \$10,311,378, respectively. Of the bank balance, \$500,000 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.

3. INVESTMENTS

At June 30, 2025, 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, 2025 and June 30, 2024 was \$10,967,376 and \$7,074,831, respectively.

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.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

3. INVESTMENTS (Continued)

GASB 31 (Continued)

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, 2025 and 2024 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 2025 are disclosed in STIP's financial statements. An unaudited copy of the STIP fiscal year 2025 financial statements is available online at the Montana Board of Investments' website.

4. 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.

	<u>Minimum Contributions</u>
2026	\$ 3,302,379
2027	3,467,497
2028	3,640,872
2029	<u>2,291,701</u>
Total	<u>\$ 12,702,449</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

4. DUE FROM OTHER GOVERNMENTS (Continued)

During the years ended June 30, 2025 and 2024, the RAD paid the minimum annual contribution of \$3,145,122 and \$2,995,335, respectively. The total remaining balance due at years ended June 30, 2025 and 2024, was \$12,702,449 and \$15,847,571, respectively, 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, 2025, 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.

5. CAPITAL ASSETS

Capital assets of the District for the years ended June 30, 2025 and 2024, consisted of the following:

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2025</u>
Nondepreciable capital assets:				
Land	\$ 1,097,689	\$ 6,000	\$ -	\$ 1,103,689
Land improvements	58,117	-	-	58,117
Construction in progress	52,714,428	3,230,271	(55,944,699)	-
Total nondepreciable capital assets	<u>53,870,234</u>	<u>3,236,271</u>	<u>(55,944,699)</u>	<u>1,161,806</u>
Depreciable capital assets:				
Buildings	736,390	-	-	736,390
Sewer infrastructure	38,341,452	419,549	46,002,030	84,763,031
Water infrastructure	24,423,999	277,765	-	24,701,764
Total depreciable capital assets	63,501,841	697,314	46,002,030	110,201,185
Less: accumulated depreciation	(23,119,657)	(1,911,943)	5,147,218	(19,884,382)
Depreciable capital assets, net	<u>40,382,184</u>	<u>(1,214,629)</u>	<u>51,149,248</u>	<u>90,316,803</u>
Total capital assets, net	<u>\$ 94,252,418</u>	<u>\$ 2,021,642</u>	<u>\$ (4,795,451)</u>	<u>\$ 91,478,609</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

5. CAPITAL ASSETS (Continued)

	<u>Balance, June 30, 2023</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance, June 30, 2024</u>
Nondepreciable capital assets					
Land	\$ 1,091,689	\$ -	\$ 6,000	\$ -	\$ 1,097,689
Land improvements	58,117	-	-	-	58,117
Construction in progress	41,001,989	(1,336,499)	13,048,938	-	52,714,428
Total nondepreciable capital assets	<u>42,151,795</u>	<u>(1,336,499)</u>	<u>13,054,938</u>	<u>-</u>	<u>53,870,234</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
Less: accumulated depreciation	(21,921,418)	-	(1,198,239)	-	(23,119,657)
Depreciable capital assets, net	<u>40,424,206</u>	<u>-</u>	<u>(42,022)</u>	<u>-</u>	<u>40,382,184</u>
Total capital assets, net	<u>\$ 82,576,001</u>	<u>\$ (1,336,499)</u>	<u>\$ 13,012,916</u>	<u>\$ -</u>	<u>\$ 94,252,418</u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$1,911,943 and \$1,198,239, respectively.

6. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the years ended June 30, 2025 and 2024:

	<u>Balance, June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2025</u>	<u>Due within one year</u>
Sewer System Revenue Bonds, Series 2021A	\$ 32,248,345	\$ 8,191,770	\$ (1,386,630)	\$ 39,053,485	\$ 994,873
SRF Revenue Bonds, Series 2021C	946,000	-	(44,000)	902,000	45,000
GO Bonds, improvements	<u>1,083,000</u>	<u>-</u>	<u>(301,000)</u>	<u>782,000</u>	<u>308,000</u>
Total bonds payable	34,277,345	8,191,770	(1,731,630)	40,737,485	1,347,873
Compensated absences	152,757	-	(20,825)	131,932	-
Net pension liability	<u>439,243</u>	<u>410,274</u>	<u>-</u>	<u>849,517</u>	<u>-</u>
Total long-term debt	<u>\$ 34,869,345</u>	<u>\$ 8,602,044</u>	<u>\$ (1,752,455)</u>	<u>\$ 41,718,934</u>	<u>\$ 1,347,873</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

6. LONG-TERM DEBT (Continued)

	<u>Balance, June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2024</u>	<u>Due within one year</u>
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	<u>1,377,000</u>	<u>-</u>	<u>(294,000)</u>	<u>1,083,000</u>	<u>301,000</u>
Total bonds payable	24,203,934	10,917,411	(844,000)	34,277,345	345,000
Compensated absences	151,224	1,533	-	152,757	-
Net pension liability	<u>313,424</u>	<u>125,819</u>	<u>-</u>	<u>439,243</u>	<u>-</u>
Total long-term debt	<u>\$ 24,668,582</u>	<u>\$ 11,044,763</u>	<u>\$ (844,000)</u>	<u>\$ 34,869,345</u>	<u>\$ 345,000</u>

Long-term debt obligations consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
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 increasing amounts from \$20,000 to \$33,000 until July 1, 2041.	\$ 902,000	\$ 946,000
Series 2021A Sewer System Revenue Bond totaling \$40,440,114, dated June 1, 2021, used for the purpose of constructing a Water Resource Recovery Facility (WRRF). Construction was substantially completed on November 27, 2024. Loan is payable in 54 semiannual variable installments. Loan is reamortized on a calendar year basis to address additional principal payments made.	39,053,485	32,248,345
2.25% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$1,050,000 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 increasing amounts from \$119,000 to \$160,000 until July 1, 2027.	<u>782,000</u>	<u>1,083,000</u>
Total long-term debt	40,737,485	34,277,345
Less current portion	<u>1,347,873</u>	<u>345,000</u>
Long-term portion of debt	<u>\$ 39,389,612</u>	<u>\$ 33,932,345</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

6. LONG-TERM DEBT (Continued)

Debt service requirements at June 30, 2025, were as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,347,873	\$ 1,218,003	\$ 2,565,876
2027	1,385,650	1,182,447	2,568,097
2028	1,264,379	1,145,848	2,410,227
2029	1,138,090	1,111,187	2,249,277
2030	1,173,812	1,076,495	2,250,307
2031 to 2035	6,428,563	4,823,502	11,252,065
2036 to 2040	7,478,607	3,781,258	11,259,865
2041 to 2045	8,455,508	2,575,645	11,031,153
2046 to 2050	9,732,729	1,198,456	10,931,185
2051 to 2052	<u>2,332,274</u>	<u>58,462</u>	<u>2,390,736</u>
	<u>\$ 40,737,485</u>	<u>\$ 18,171,303</u>	<u>\$ 58,908,788</u>

Interest expense during the years ended June 30, 2025 and 2024 was \$1,184,379 and \$945,150, respectively.

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, 2025 and 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, 2025 and 2024, the District had a liability of \$849,517 and \$439,243, respectively, for its proportionate share of the net pension liability. See Note 7 for more information.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

In accordance with Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer 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). This includes the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows associated with pensions. Employers are provided guidance in GASB 68, paragraph 74, where pension amounts must be combined as a total or aggregate for reporting, whether provided through cost-sharing, single-employer, or agent plans. The following information for financial reporting as of June 30, 2025, is based on a June 30, 2024 measurement date.

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, Montana Code Annotated 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. Benefits are established by state law and can only be amended by the Legislature.

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).

Benefits Provided

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

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership service; Age 70, regardless of membership service.

Early retirement:

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

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided (Continued)

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

1. Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2. Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3. Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months

Member's highest average compensation (HAC)

- Hired prior to July, 1, 2011 - highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011 - highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Monthly benefit formula

- Members hired prior to July 1, 2011:
 - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011:
 - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - 30 years or more of membership service: 2% of HAC per year of service credit.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.
 - 3.0% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - ◆ 1.5% for each year PERS is funded at or above 90%;
 - ◆ 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - ◆ 0% whenever the amortization period for PERS is 40 years or more

Contributions

The state Legislature has the authority to establish and amend 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.

Special Funding

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

Not Special Funding

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

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Universities	Local Government	School Districts		
	hired <07/01/11	hired after >07/01/11	Employer	Employer	State	Employer	State
2025	7.900 %	7.900 %	9.170 %	9.070 %	0.100 %	8.800 %	0.370 %
2024	7.900 %	7.900 %	9.170 %	9.070 %	0.100 %	8.800 %	0.370 %
2023	7.900 %	7.900 %	9.070 %	8.970 %	0.100 %	8.700 %	0.370 %
2022	7.900 %	7.900 %	8.970 %	8.870 %	0.100 %	8.600 %	0.370 %
2021	7.900 %	7.900 %	8.870 %	8.770 %	0.100 %	8.500 %	0.370 %
2020	7.900 %	7.900 %	8.770 %	8.670 %	0.100 %	8.400 %	0.370 %
2019	7.900 %	7.900 %	8.670 %	8.570 %	0.100 %	8.300 %	0.370 %
2018	7.900 %	7.900 %	8.570 %	8.470 %	0.100 %	8.200 %	0.370 %
2017	7.900 %	7.900 %	8.470 %	8.370 %	0.100 %	8.100 %	0.370 %
2016	7.900 %	7.900 %	8.370 %	8.270 %	0.100 %	8.000 %	0.370 %
2015	7.900 %	7.900 %	8.270 %	8.170 %	0.100 %	7.900 %	0.370 %
2014	7.900 %	7.900 %	8.170 %	8.070 %	0.100 %	7.800 %	0.370 %
2013-2012	6.900 %	7.900 %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2011-2010	6.900 %	- %	7.170 %	7.070 %	0.100 %	6.800 %	0.370 %
2009-2008	6.900 %	- %	7.035 %	6.935 %	0.100 %	6.800 %	0.235 %
2007-2000	6.900 %	- %	6.900 %	6.800 %	0.100 %	6.800 %	0.100 %

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

- 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. For fiscal years beginning after June 30, 2024, the additional contribution amount stays at 2.27%. 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.
 - The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
- 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 \$35,329,705.

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the City are recognized as revenues and expenditures in the fund financial statements. The covered payroll and contributions to the plan for the current year and two previous years are presented in the following table. The amounts contributed for those years were equal to the required contributions for each year. In general, pension contributions are made from the funds in which the related payroll expenses were incurred.

<u>Year Ended June 30</u>	<u>Covered Payroll</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>State Contributions</u>
2025	\$ 1,775,346	\$ 140,252	\$ 161,024	\$ 1,775
2024	\$ 1,489,667	\$ 117,684	\$ 135,113	\$ 1,490
2023	\$ 1,020,355	\$ 80,608	\$ 91,526	\$ 1,020

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the Total Pension Liability (TPL) as of June 30, 2024, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2024. The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the State of Montana's NPL for June 30, 2024 and 2023, are displayed below. The 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 the particular employer to the total state contributions paid. The employer recorded a liability of \$849,517 and the employer's proportionate share was 0.034734 percent.

As of Measurement Date	Net Pension Liability as of June 30, 2024	Net Pension Liability as of June 30, 2023	Percent of Collective NPL as of June 30, 2023	Percent of Collective NPL as of June 30, 2023	Change in Percent of Collective NPL
Big Sky Co Water & Sewer Dist #363 Proportionate Share	\$ 849,517	\$ 439,243	0.034734 %	0.017999 %	0.016735 %
State of Montana Proportionate Share associated with Employer	<u>229,883</u>	<u>129,881</u>	<u>0.009399 %</u>	<u>0.005322 %</u>	<u>0.004077 %</u>
Total	<u>\$ 1,079,400</u>	<u>\$ 569,124</u>	<u>0.044133 %</u>	<u>0.023321 %</u>	<u>0.020812 %</u>

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

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

Changes in proportionate share: There were no changes to the Plan 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.

Pension Expense

At June 30, 2024 reporting date, the employer recognized a Pension Expense of \$224,707 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$12,230 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

As of Measurement Date	Pension Expense as of June 30, 2024	Pension Expense as of June 30, 2023
Big Sky Co Water & Sewer Dist #363	\$ 224,707	\$ 82,357
Employer Grant Revenue - State of Montana Proportionate Share for Employer	<u>12,320</u>	<u>12,185</u>
Total	<u>\$ 237,027</u>	<u>\$ 94,542</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2024, the employer reported its proportionate share of Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>As of Measurement Date</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Expected vs. Actual Experience	\$ 42,930	\$ -
Projected Investment Earnings vs. Actual Investment Earnings	-	18,891
Changes in Assumptions	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	308,400	-
Employer Contributions Subsequent to the Measurement Date	<u>57,754</u>	<u>-</u>
Total	<u>\$ 409,084</u>	<u>\$ 18,891</u>

Recognition of Deferred Inflows and Outflows (Continued)

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

<u>For the Measurement Year Ended June 30</u>	<u>Recognition of Deferred Inflows and Outflows in Future years as an increase or (decrease) to Pension Expense</u>
2024	\$ 239,372
2025	\$ 191,128
2026	\$ (13,280)
2027	\$ (8,136)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability as of June 30, 2024, was determined on the results of an actuarial valuation date of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment return (net of pension plan investment expense) 7.30%
- General wage growth * 3.50%
- *Includes inflation at 2.75%
- Merit increases 0 to 4.80%

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Actuarial Assumptions (Continued)

- Postretirement benefit increases
 1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - 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.
 - Members hired prior to July 1, 2007 3.0%
 - Members hired between July 1, 2007 and June 30, 2013 1.5%
 - Members hired on or after July 1, 2013:
 - ◆ For each year PERS is funded at or above 90% 1.5%
 - The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%
 - ◆ 0% whenever the amortization period for PERS is 40 years or more.
- Mortality
 - Active Participants
 - ◆ PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
 - Disabled Retirees
 - ◆ PUB-2010 General Amount Weighted Disabled Retiree Mortality Table, projected to 2021, set forward one year for both males and females.
 - Contingent Survivors
 - ◆ PUB-2010 Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
 - Healthy Retirees
 - ◆ PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 30, 2024 valuation, were developed in the five-year experience study for the period ending 2021. However, the current long-term rate of return is based on analysis in the experience study, without consideration for the administrative expenses analysis shown in the experience study.

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 2128. 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.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2024, is based on analysis in the experience study report dated May 2, 2022 without consideration for the administrative expense analysis shown in the experience study. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	3.00 %	(0.33)%
Domestic Equity	30.00 %	5.90 %
International Equity	17.00 %	7.14 %
Privates Investments	15.00 %	9.13 %
Real Assets	5.00 %	4.03 %
Real Estate	9.00 %	5.41 %
Core Fixed Income	15.00 %	1.14 %
Non-core Fixed Income	6.00 %	3.02 %
Total	<u>100.00 %</u>	

Sensitivity Analysis

The following presents the employer's sensitivity of the NPL to the discount rate 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	<u>\$ 1,238,411</u>	<u>\$ 849,517</u>	<u>\$ 523,410</u>

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

7. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

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.

At the plan level for the measurement period ended June 30, 2024, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 351 employers that have participants in the PERS-DCRP totaled \$1,345,278.

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Annual Comprehensive Financial Report (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. These reports, as well as actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or are available on the MPERA website at <http://mpera.mt.gov/about/annualreports1/annualreports>.

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

8. RETIREMENT PLAN

The District sponsors a Section 457 defined contribution plan. Employees are eligible to participate when they attain age 21 and complete one year of service. Participating employees may make contributions up to allowable limits. The District will match up to 6% of employee contributions, which are subject to vesting. Employer contributions totaled \$89,174 and \$76,536 for the years ended June 30, 2025 and 2024, respectively.

9. COMMITMENTS AND CONTINGENCIES

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.

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.

10. CORRECTION OF ERROR

During the year ended June 30, 2025, the District identified errors in the accounting treatment of certain costs that had previously been capitalized as construction in progress which should have been expensed. As a result, net position as of June 30, 2023 has been restated to reflect this adjustment. The cumulative effect of this correction decreased construction in progress and beginning net position by \$1,336,499. Management has corrected the accounting treatment for these costs and all future project costs are being reviewed to ensure proper classification.

11. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through November 21, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY WATER AND SEWER DISTRICT NO. 363
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE LAST TEN 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
2024	0.0350	\$ 849,517	\$ 229,883	\$ 1,079,400	\$ 680,540	124.8298	78.7027
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	111.2200	78.4000

The amounts presented for each fiscal year were determined as of June 30, the measurement date.

**BIG SKY WATER AND 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
2025	\$ 57,754	\$ -	\$ 57,754	\$ -	\$ 636,759	9.0700 %
2024	\$ 61,725	\$ -	\$ 61,725	\$ -	\$ 680,540	9.0700 %
2023	\$ 30,267	\$ -	\$ 30,267	\$ -	\$ 334,640	9.0446 %
2022	\$ 20,601	\$ -	\$ 20,601	\$ -	\$ 231,636	8.8937 %
2021	\$ 19,393	\$ -	\$ 19,393	\$ -	\$ 218,833	8.8620 %
2020	\$ 18,760	\$ -	\$ 18,760	\$ -	\$ 214,123	8.7613 %
2019	\$ 19,464	\$ -	\$ 19,464	\$ -	\$ 226,307	8.6007 %
2018	\$ 19,104	\$ -	\$ 19,104	\$ -	\$ 225,549	8.4700 %
2017	\$ 15,533	\$ -	\$ 15,533	\$ -	\$ 185,583	8.3698 %
2016	\$ 14,525	\$ 9,465	\$ 23,990	\$ -	\$ 173,777	13.8050 %

The amounts presented for each fiscal year were determined as of June 30, the most recent fiscal year end.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY WATER AND SEWER DISTRICT NO. 363
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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 WATER AND SEWER DISTRICT NO. 363
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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, 2023 actuarial valuation:

General Wage Growth *	3.50%
Investment Rate of Return *	7.30%
* includes inflation at	2.75%
Merit salary increases	0% to 4.8%
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, 2023 valuation, were developed in the five-year experience study for the period ending in 2021.



**INDEPENDENT AUDITORS' 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 Water and Sewer District No. 363
Big Sky, MT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Sky Water and Sewer District No. 363 ("the District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 District's internal control or on compliance. This report is an integral part of the 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.

A handwritten signature in black ink that reads "Amicus CPA Group". The signature is written in a cursive, flowing style.

Bozeman, Montana
November 21, 2025

BIG SKY WATER AND SEWER DISTRICT NO. 363
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2025

The results of our tests disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters and no material weaknesses to be reported under *Government Auditing Standards* as of June 30, 2025.

BIG SKY WATER AND SEWER DISTRICT NO. 363
STATUS OF PRIOR YEAR FINDINGS
June 30, 2025

The results of our tests disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters and no material weaknesses to be reported under *Government Auditing Standards* as of June 30, 2024.