



ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Big Sky County Water & Sewer District No. 363, which comprise the Statement of Net Position as of June 30, 2019 and the related Statement of Revenues, Expenses and Changes in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Sky County Water & Sewer District No. 363 as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 3-9 and 40-43, respectively, be presented to supplement the basic financial statements. Such information, 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 *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 02, 2019 on our consideration of Big Sky County Water & Sewer District No. 363'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 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 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 Big Sky County Water & Sewer District No. 363's internal control over financial reporting and compliance.



Holmes & Turner
Bozeman, Montana
December 02, 2019

MANAGEMENT DISCUSSION & ANALYSIS

**Management Discussion and Analysis
Fiscal Year 7/1/2018 - 6/30/2019**

The Big Sky County Water & Sewer District 363 is a public water and sewer system located in Southwest Montana. The District was established in 1994 under Montana Code Annotated Title 7, Chapter 13. The District spans two counties, Gallatin and Madison, and serves approximately 3,000 water and sewer customers located within the District. The District serves customer properties starting in the Meadow Village area within Gallatin County and extends to the Big Sky Ski Area within Madison County. The difference in elevation of the properties that the District serves creates unique challenges and opportunities for the Big Sky County Water & Sewer District 363.

The Big Sky County Water & Sewer District 363 is accounted for as a governmental enterprise. As a result, the accounting is much the same as a for profit organization with the exception of state and federal income tax. The District is tax exempt. The basic financial statements produced by the District include, the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows. Each statement contains vital financial information regarding the District's financial position and overall financial stability. The statement of net assets contains the assets, liabilities, and fund equity. The statement of revenues, expenses, and changes in fund net assets contain the detail of revenue sources and the detail of where the revenue was expended to provide the water and sewer services to the District as well as the beginning net assets and end of year net assets total. The statement of cash flows provides the detail of cash sources and uses for operating activities, capital and related financing activities, and investing activities.

Assets/Liabilities

The total net fixed assets of the District increased by 2.34% in fiscal year 2018-2019. Capital assets net of accumulated depreciation increased from \$42,086,101 to \$43,071,667. The District added to the asset base in excess of the depreciation expense taken on the existing asset base.

The sewer capital assets of the District increased from \$35,946,753 to \$37,089,766. The District spent approximately \$156,200 upgrading the components of sewer pond one. The District installed new aeration equipment as well as a chlorine injection system. The District spent approximately \$38,200 on vehicle equipment for the sewer department. The District purchases included a mini-excavator, a trailer for the mini-excavator as well as a new equipment rack for the sewer collection system vehicle. The District spent approximately \$526,600 on planning and design engineering for the new sewer treatment plant. The District is in the process of upgrading the existing sewer treatment plant. The Sewer Department added \$418,800 in donated sewer extensions. The District continues to recognize the Search and Rescue Building on the books of the District. The District added another \$6,000 in fiscal 2018-2019. There is an agreement with the Big Sky Search and Rescue stipulating the circumstances under which the building may eventually revert to the District. However, the District anticipates this to be a perpetual agreement with the Big Sky Search and Rescue Operation.

The water capital assets increased from \$21,213,585 to \$22,180,150. The District spent approximately \$187,000 on both engineering and hardware for the wells and pump houses on the mountain. The District is investigating treatment of mountain wells 5&6 as well as searching for new water sources. The District spent approximately \$44,500 on well data loggers, pressure reducing valve (PRV) meters, and another PRV vault. The water department replaced \$11,100 in valves on the system. The District updated the water system model costing approximately \$80,000. The water department replaced approximately \$33,600 in water hydrants and one well meter. The water departments share of the mini-excavator and trailer amounted to \$30,750.

Assets/Liabilities (Continued)

The water department is in the process of upgrading the water meter reading system from a phone read system, a radio read system and walking route to a fixed base system. The fixed base system is cloud based radio tower transmitted meter reading system. The District spent approximately \$56,000 installing the fixed based system in fiscal 2018-2019. The new system is expected to be fully operational in early 2019-2020. The water department installed \$182,300 in both residential and commercial water meters in 2018-2019. The water department spent approximately \$2,500 finishing the rehab project of the Lone Moose Meadow pump house. The District also added \$340,858 in donated water extensions.

The total long-term liabilities associated with the existing State Revolving Fund Loans of both systems decreased to \$6,876,000 from \$8,058,000 including the current portion of the SRF Loans. The District uses low interest rate loans from the State Revolving Loan Program to finance both water and sewer projects. In July of 2013 the District refinanced the three water loans through the State Revolving Loan Program two at 2.00% and the larger dollar loan at 2.25%. The two sewer loans were both refinanced at 2.25% in May of 2013.

The District is a member of the Montana Public Employees Retirement Administration which administers the retirement plan for District employees. Recent changes in the financial reporting requirements for governmental pensions impact the District's financial statements. The Governmental Accounting Standard's Board (GASB) introduced two new standards in June of 2012. The two new standard's GASB 67 and 68 relate to financial statement reporting for public pensions. GASB 67 is applicable to the overall pension system financial statements and GASB 68 effective in fiscal 2015 is applicable to the financial statements of the participating employers. As a result, the District is now booking assets and liabilities reported to the District by the actuary of the Montana Public Employees Retirement Administration. In fiscal 2018-2019 the District updated the Net Pension Liability (NPL) from \$291,368 to \$286,247. This amount represents the District's share of the actuarial unfunded liabilities of the pension system in which the District employees participate. Although \$286,247 is a large pension liability, the unfunded liability is currently funded over a thirty-year period. The net pension liability is subject to volatile swings based on financial market movements and any changes in the underlying actuarial assumptions. This last fiscal year there were changes in the underling actuarial assumptions which impacted the amount of the unfunded liability. For fiscal 2018-2019 GASB 68 reporting requirements decreased the net pension liability by \$5,121. District management does not believe that the current NPL adversely affects the financial statements or financial position of the District. See the attached GASB 68 notes to the financial statements for more detail.

The total liabilities of the District decreased 10.74% due primarily to the reduction in the General obligation bonds. The District's Performance bonds and retainage payable did increase but not enough to offset the reduction in outstanding debt. The current liabilities of the District increased from \$3,465,153 to \$3,528,338 which includes a decrease in accounts payable from \$254,685 to \$188,062, an increase in performance bonds and retainage payable from \$2,028,468 to \$2,133,276, and an increase in the current portion of long-term debt from \$1,182,000 to \$1,207,000 at 6/30/2019.

Year	Total Assets	Growth Rate	Total Liabilities	Growth Rate
2014-2015	\$54,965,447	0.64%	\$12,859,740	-6.62%
2015-2016	\$56,873,268	3.47%	\$11,947,122	-4.10%
2016-2017	\$58,963,862	3.68%	\$11,746,890	-7.10%
2017-2018	\$60,031,311	1.93%	\$10,763,391	-8.37%
2018-2019	\$61,169,177	1.90%	\$9,607,326	-10.74%

Operating Revenue/Non-Operating Revenue

The total operating revenues of the District increased from \$2,980,366 to \$3,099,744. The total sewer operating revenue increased from \$1,649,513 to \$1,737,973. The total water operating revenue increased from \$1,330,853 to \$1,361,771. The sewer operating revenue increase was due to an increase in sewer use over the fiscal year and the 1% rate increase effective 7/1/2018. The increase in water operating revenue was due to the 1% rate increase effective 7/1/2018. The sewer usage was up approximately 5.28% and water usage was down approximately 3.59% over the prior fiscal year. The sewer system had an additional one hundred and thirteen hookups representing an increase of approximately 3.98% in sewer hookups. The water department had an additional eighty-three hookups representing an increase of approximately 2.85% in water hookups.

The District has a plant investment charge on the sewer plant and water system investment charge on the water plant. The plant investment charge and system investment charge are calculated based on the size of the property and collected through the permitting process. This is the third year of the water system investment charge which was effective October 1, 2016. The total non-operating revenue includes plant investment charges, water system investment charges, interest income, tax receipts for bond payments. The Total non-operating revenue, net of interest expenses and other non-operating expenses of the District decreased to \$1,654,726 from \$2,145,451. The District collected \$1,175,119 in general obligation bond tax receipts for payments on the State Revolving Fund Loans used to finance the water tank, water meters, two water system rehabilitation projects including (Hidden Village and Silverbow Condominiums), new Meadow Village water wells 4 & 5, and the sewer treatment plant. Plant investment fees decreased from \$490,334 to \$292,295 due to a reduction in the number of single-family equivalents (SFE's) on the submitted sewer permits in the fiscal year. The water system investment charges decreased from \$118,292 to \$53,754 for the same reason as the sewer system decline.

Year	Total Revenues	Growth Rate	Total Expenses	Growth Rate
2014-2015	\$4,004,567	4.09%	\$2,812,414	-0.59%
2015-2016	\$4,267,858	6.57%	\$2,996,991	6.56%
2016-2017	\$4,998,521	17.12%	\$3,109,615	3.75%
2017-2018	\$5,311,492	6.26%	\$3,233,550	3.99%
2018-2019	\$4,925,166	-7.27%	\$3,428,324	6.02%

Operating Expenses/Non-Operating Expenses

The total operating expense for the District increased to \$3,257,628 from \$3,047,875. The total general and administrative expense increased to \$559,493 from \$564,019. The total sewer general and administrative expense increased to \$253,939 from \$223,192. Total sewer operation expense increased to \$1,180,232 from \$1,145,759. The total water general and administrative expense increased to \$461,539 from \$357,697. The total water operating expense decreased to \$802,425 from \$757,208. The total operating expense increased \$209,753 from last fiscal year, a 6.88% increase. The increase in operating expenses is due to general price inflation, increased payroll and benefit costs, repairs and maintenance on the sewer treatment plant and additional wastewater monitoring. In the non-operating expense category, the main item is the interest expense on the State Revolving Fund Loans. In fiscal 2018-2019 the District made principal payments in the amount of \$1,182,000 with total payments amounting to \$1,354,703. The District paid \$172,703 in interest on those loans.

Operating Expenses/Non-Operating Expenses (Continued)

Year	Total Operating Revenues	Growth Rate	Total Operating Expenses	Growth Rate
2014-2015	\$2,570,264	-0.48%	\$2,551,926	0.57%
2015-2016	\$2,703,452	5.18%	\$2,736,955	8.03%
2016-2017	\$2,977,755	10.17%	\$2,898,439	5.90%
2017-2018	\$2,980,366	0.09%	\$3,047,875	5.16%
2018-2019	\$3,099,744	4.01%	\$3,257,628	6.88%

Capital Assets

The District received donated capital assets in the form of water and sewer extensions in fiscal 2018-2019. There were three new water and sewer main extension donated to the District. The water main extensions included; Town Center 45 Degrees North Condos, Meadowview Subdivision and Cascade Ridge lower water lines. The total contributed capital to the water system was \$340,858. The sewer main extensions included; Town Center 45 Degrees North Condos, Meadowview Subdivision and Spanish Peaks Inspiration Point. The total contributed capital to the sewer system was \$418,800. Donated capital assets are the water and sewer extensions as well as other infrastructure required to install and complete new construction projects and subdivisions within the District. All donated capital assets are acquired by the District through formal transfer agreements which are recorded at the appropriate county office. The District requires a two-year warranty on the assets transferred to the District. The warranty is in the form of cash or letter of credit. The warranty security amount is 10% of the cost basis of the assets transferred to the District. The contributed assets are then recorded as either water or sewer assets on the books of the District and depreciated accordingly. The recorded value of the asset is recognized as income in the year of acceptance. The District also booked an additional \$6,000 in donated capital assets for the Big Sky Search & Rescue Building agreement. However, the District does not record the depreciation expense for the Search and Rescue Building in the District accounting records.

The District's total net position at June 30, 2019 was \$51,660,731. The total amount includes \$36,195,667 invested in capital assets, net of related debt, \$14,783,037 in unrestricted assets which includes cash, and \$682,027 restricted cash for debt service. The total represents an increase of \$2,262,502 over the prior fiscal year total. The invested in capital assets, net of related debt decreased by \$2,167,566 due to debt reduction and asset depreciation. The unrestricted portion increased by \$71,270 due primarily to an increase in cash. The restricted for debt service category increased to \$682,027 from \$658,361 due to variance in tax receipts.

The District continued the work on a new treatment plant with Advanced Engineering & Environmental Services, Inc. (AE2S). The District signed a contract to design the new plant with AE2S. In addition, the District signed a contract with AE2S for both a cost of service study and rate study. The cost of service study evaluated the current rates and segmented the user classes to determine if the user classes were paying their share of costs based on their usage characteristics. The rate study will incorporate the findings of the cost of service study in a new rate design. The new rates are expected to be implemented in the next fiscal year. The rate study will also include an evaluation of the plant investment fees charged on both the sewer and water system. The District is updating the last water and sewer impact fee study that was completed in 2016 by Tischler Bise.

Summary

The Districts overall financial position remains stable with sufficient reserves and financing sources available to fund both the operating and non-operating activities of the District. In Fiscal Year 2018-2019 water operating revenues were insufficient to cover operating expenses. The water department had an operating loss of \$172,246. The sewer operating revenues were sufficient to cover sewer operating expenses. The sewer department had operating income of \$14,362. Water operating revenue increased by 2.32% and sewer operating revenue increased by 5.36%. The operating expenses increased by 6.88% leaving a total deficit of \$157,884 for water and sewer operations. The additional water staff in fiscal 2018-2019 was the main cost driver in the water deficit. The water department will have one less staff member in 2019-2020 due to a staff retirement. The rate study done by AE2S and new rate design in 2019-2020 will address the District's operating revenues going forward. The District will review the new rate design and rate changes on an annual basis.

The District's rate table below shows the history of the District's rates from fiscal 2006-2007 through fiscal 2018-2019. The District has attempted to keep the rate structure stable with moderate rate increases over time. As stated earlier in this report, the District in fiscal 2018-2019 contracted with AE2S to review and propose new rates. In fiscal 2019-2020 new rates will be adopted adding three new categories for rates. The District's current single rate will be segmented into commercial, residential and irrigation. In addition, a reuse rate will be added. However, a base charge for metering reuse water will be charged but no usage charge at this time.

Rates Fiscal Year	Water Base	Growth Rate	Water Usage	Growth Rate	Sewer Base	Growth Rate	Sewer Usage	Growth Rate
2006-2007	\$14.25	0%	\$2.35	0%	\$22.04	0%	\$3.85	0%
2007-2008*	\$14.25	0%	\$2.35	0%	\$22.04	0%	\$3.85	0%
2008-2009	\$14.89	4.49%	\$2.42	2.98%	\$23.03	4.49%	\$4.81	24.94%
2009-2010	\$15.46	3.83%	\$2.49	2.89%	\$23.91	3.82%	\$5.82	21.00%
2010-2011	\$15.46	0%	\$2.49	0%	\$23.91	0%	\$5.82	0%
2011-2012	\$15.46	0%	\$2.49	0%	\$23.91	0%	\$5.82	0%
2012-2013	\$15.46	0%	\$2.49	0%	\$23.91	0%	\$5.82	0%
2013-2014	\$15.61	1%	\$2.51	1%	\$24.15	1%	\$5.88	1%
2014-2015	\$15.77	1%	\$2.54	1%	\$24.39	1%	\$5.94	1%
2015-2016	\$15.93	1%	\$2.57	1%	\$24.63	1%	\$6.00	1%
2016-2017*	\$16.57	4%	\$2.67*	4%	\$26.35	7%	\$6.42	7%
2017-2018*	\$16.73	1%	\$2.70*	1%	\$26.62	1%	\$6.48	1%
2018-2019*	\$16.90	1%	\$2.73*	1%	\$26.88	1%	\$6.55	1%

Summary (Continued)

*Water usage rates are tiered as follows:

Tier by Usage (Gallons)	Rate per Gallon (Beg. July 1, 2018)
0 – 60,000	\$2.73
60,000 – 90,000	\$4.08
90,000 – 120,000	\$5.45
120,000 and above	\$6.82

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 and sewer.

Budget Performance

The budget for fiscal 2018-2019 at year-end had Total Revenues 103.65% of budget, Total Expenses 98.94% of budget and Total Net Revenue 116.32% of budget. The District received contributed assets from developers totaling \$759,658 in water and sewer main extensions and \$6,000 for the Search and Rescue building accrual. Income before developer contributions was \$1,496,842.

The Operating Revenues were at 98.37% of budget and Operating Expenses were at 98.98% of budget. As a result, there was a \$157,884 operating deficit. The District budget for 2018-2019 projected an operating deficit of \$139,901. Administrative expenses for general administration were 97.19% of budget. The water department administration and sewer department administration came in at 89.32% of budget and 101.59% of budget, respectively. The allocated annual pension expense from the Montana Public Employees Retirement Administration Actuaries for fiscal 2018-2019 was \$12,286 for general administrative, \$13,704 for water administrative and \$7,106 for sewer administrative. The sewer operations expense was at 100.41% of budget. The water operations expense was 103.77% of budget. The sewer and water department's operating budgets are separated into seven categories: Vehicles, Operating Expenses, Repairs and Maintenance, Professional Services, Miscellaneous, Asset Replacement & Depreciation and Special Projects.

The sewer department operations were within budget tolerance in all categories except repairs & maintenance and professional services. The District had additional costs in the repairs & maintenance category repairing the recirculation building and the sewer pond blowers. In addition, the District spent additional funds on engineering for sewer pipeline easements and storage capacity letters. However, the overall budget was within budgetary tolerance of plus or minus five percent.

The water department operations were within budget tolerance in all categories except vehicles and repairs & maintenance. In the vehicle's category both fuel for the vehicles and fuel for the booster stations were under budgeted. In addition, there were repairs to the backhoe that were not budgeted. However, the overall budget was within budgetary tolerance of plus or minus five percent.

Total Non-Operating Revenues were at 114.04% of budget and Non-Operating Expenses were at 98.10% of budget. The combined water and sewer tax receipts from both Madison and Gallatin County were within budget tolerance. The sewer plant investment fee sub-category was budgeted at \$250,000; however, \$292,295 was collected. The water system investment fee sub-category was budgeted at \$75,000; however, \$53,754 was collected. The District budgeted \$150,000 in developer capital contributions; however, \$765,658 was received. Both the water and sewer debt service interest costs were on budget or under budget. As a result, net Non-Operating Revenues were \$1,654,726.

State Revolving Fund Debt

The District has a total of five State Revolving Fund Loans remaining with an outstanding balance at fiscal year-end of \$6,876,000 including the current portion of the long-term debt. The District services the debt through bi-annual payments. The main source for debt service is the ad-valorem tax established each year based on the actual debt service payments made each January 1, and July 1. The District reassesses debt service funding alternatives in every budget cycle.

Conclusion

The District's current financial position is stable. There are no significant facts, decisions or conditions that are expected to have a significant effect on the financial position of the District or results of water and sewer operations.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,357,222	\$ 16,468,110
Investments	10,227,726	1,697
Accounts receivable, net	706,299	668,574
Prepaid expenses	8,492	8,822
Water meter inventory	115,744	139,646
Total current assets	17,415,483	17,286,849
Noncurrent assets		
Restricted cash and cash equivalents	682,027	658,361
Nondepreciable capital assets	1,125,806	1,119,806
Depreciable capital assets, net	41,945,861	40,966,295
Total noncurrent assets	43,753,694	42,744,462
Total assets	61,169,177	60,031,311
DEFERRED OUTFLOWS OF RESOURCES		
Montana Public Employees Retirement System	\$ 110,265	\$ 132,688

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 188,062	\$ 254,685
Performance bonds and retainage payable	2,133,276	2,028,468
Current portion of long-term liabilities	1,207,000	1,182,000
Total current liabilities	<u>3,528,338</u>	<u>3,465,153</u>
Long-term liabilities		
Compensated absences payable	123,741	130,870
Net pension liability	286,247	291,368
General obligation bonds	5,669,000	6,876,000
Total long-term liabilities	<u>6,078,988</u>	<u>7,298,238</u>
Total liabilities	<u>9,607,326</u>	<u>10,763,391</u>
DEFERRED INFLOWS OF RESOURCES		
Montana Public Employees Retirement System	<u>11,385</u>	<u>2,379</u>
NET POSITION		
Net investment in capital assets	36,195,667	34,028,101
Unrestricted	14,783,037	14,711,767
Restricted for debt service	682,027	658,361
Total net position	<u>\$ 51,660,731</u>	<u>\$ 49,398,229</u>

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUE		
Sewer services	\$ 1,737,973	\$ 1,649,513
Water services	1,361,771	1,330,853
Total operating revenue	<u>3,099,744</u>	<u>2,980,366</u>
OPERATING EXPENSES		
General and administrative		
Dues and subscriptions	4,770	1,938
Education expenses	2,685	3,057
Insurance	158,526	158,104
Janitorial and carpet services	3,088	935
Meetings	8,049	8,944
Miscellaneous	3,595	3,646
Office building repair and maintenance	724	1,533
Office supplies and expenses	21,276	21,737
Payroll taxes and benefits	57,008	61,136
Professional fees	19,880	20,915
Telephone and computer maintenance	18,191	16,099
Salaries	254,701	253,123
Utilities	4,356	5,837
Vehicle expenses	2,644	7,015
Total general and administrative	<u>\$ 559,493</u>	<u>\$ 564,019</u>

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING EXPENSES (CONTINUED)		
Sewer general and administrative		
Salaries and wages	\$ 149,573	\$ 148,020
Insurance	59,713	55,313
Payroll taxes and benefits	33,031	11,620
Dues and subscriptions	1,318	670
Telephone	5,832	5,792
Office supplies	676	962
Education expense	3,796	815
Total sewer general and administrative	253,939	223,192
Sewer plant expenses		
Chemicals	72,356	72,725
Depreciation	674,100	673,925
Engineering	6,988	15,933
Fuel - equipment and vehicles	11,005	9,078
Lab testing equipment	276	1,236
Maintenance and repairs - building and grounds	69,960	64,793
Miscellaneous	2,536	5,653
Safety equipment	911	959
Sewer repairs and maintenance	64,251	63,848
Treatment plant repairs and maintenance	39,307	13,681
Electric and utilities	194,520	203,368
Travel and vehicle expense	11,256	12,715
Waste water monitoring	32,766	7,845
Total sewer plant expenses	\$ 1,180,232	\$ 1,145,759

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING EXPENSES (CONTINUED)		
Water general and administrative		
Salaries and wages	\$ 272,756	\$ 239,813
Insurance	100,392	78,736
Payroll taxes and benefits	62,504	18,826
Dues and subscriptions	2,928	2,848
Telephone	8,963	7,924
Office supplies	1,570	1,592
Education expense	8,562	4,094
Public water supply fee	3,864	3,864
Total water general and administrative	461,539	357,697
Water plant expenses		
Depreciation	455,911	436,234
Fuel - equipment and vehicles	15,027	10,744
Lab testing equipment	1,512	4,063
Miscellaneous	943	1,366
Professional services	3,735	5,599
Repairs and maintenance	131,166	105,386
Special projects	14,773	6,536
Safety equipment	2,466	3,972
Electric and utilities	160,446	168,766
Travel and vehicle expense	16,446	14,542
Total water plant expenses	802,425	757,208
Total operating expenses	3,257,628	3,047,875
Operating income (loss)	\$ (157,884)	\$ (67,509)

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NONOPERATING REVENUES AND (EXPENSES)		
Interest expense	\$ (159,586)	\$ (185,675)
Other nonoperating expense	(11,110)	-
Tax receipts for bond payments	1,175,119	1,416,778
Plant investment charges	292,295	490,334
Water system investment charges	53,754	118,292
Interest income	286,356	125,450
Other nonoperating revenue	17,898	180,272
Total nonoperating revenues and (expenses)	1,654,726	2,145,451
Income before contributions	1,496,842	2,077,942
Contributed capital	765,658	104,135
Increase (decrease) in net position	2,262,500	2,182,077
Net position, beginning of year	49,398,231	47,216,152
Net position, end of year	\$ 51,660,731	\$ 49,398,229

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,084,772	\$ 2,949,651
Payments to suppliers and employees	(2,173,579)	(1,848,947)
Net cash flows from operating activities	911,193	1,100,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(1,182,000)	(1,156,000)
Purchases of capital assets	(1,349,920)	(522,203)
Interest paid on capital debt	(159,586)	(185,675)
Taxes collected for bond payments	1,175,119	1,416,778
Other receipts (payments)	352,837	788,902
Net cash flows from capital and related financing activities	(1,163,550)	341,802
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest	286,356	125,425
Proceeds from performance bonds and fees	104,808	79,786
Purchases of investments	(10,226,029)	-
Net cash flows from investing activities	(9,834,865)	205,211
Net increase (decrease) in cash	(10,087,222)	1,647,717
Cash and cash equivalents, beginning of year	17,126,471	15,478,754
Cash and cash equivalents, end of year	7,039,249	17,126,471
CASH AND CASH EQUIVALENTS AS PRESENTED ON THE STATEMENT OF NET POSITION		
Cash and cash equivalents	6,357,222	16,468,110
Restricted cash and cash equivalents	682,027	658,361
	\$ 7,039,249	\$ 17,126,471

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (157,884)	\$ (67,509)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,130,011	1,110,159
(Increase) decrease in current assets:		
Accounts receivable	(37,725)	(3,927)
Prepaid expenses	330	(1,727)
Inventory	23,902	32,052
Deferred outflows of resources	22,423	(62,616)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(66,620)	67,411
Compensated absences payable	(7,129)	7,837
Water reserve payable	-	(26,788)
Net pension liability	(5,121)	44,251
Deferred inflows of resources	9,006	1,561
Net cash flows from operating activities	<u>\$ 911,193</u>	<u>\$ 1,100,704</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest in building	<u>\$ 765,658</u>	<u>\$ 104,135</u>

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

b. Measurement Focus and Basis of Accounting

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

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

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Revenues and Expenses

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

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

d. Water and Wastewater user Charges

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

e. Use of Restricted/Unrestricted Net Position

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

f. Cash and Investments

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

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

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Restricted Cash

As of June 30, 2019 and June 30, 2018, according to a bond resolution, cash in the amount of \$682,027 and \$658,361 is restricted; this is the amount that has accumulated in the Debt Service Fund. This restriction is for debt repayment.

h. Inventory

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

i. Capital Assets

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

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

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

j. Compensated Absences

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Net Position

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

Proprietary fund net position is divided into three components:

i. Net investment in capital assets

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

ii. Restricted

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

iii. Unrestricted

All other net position is reported in this category.

l. Tax Revenue

Property tax levies are set by the Counties according to the rates approved by the voters and are based on taxable values listed as of January 1 for all real property located in the District. Taxable values are established by the Montana Department of Revenue based on market values. A revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property taxes and special assessments are generally billed in October and are payable one half by November 30 and one half by May 31. After these dates, taxes and assessments become delinquent and become a lien on the property. Personal property is assessed and taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Tax Revenue (Continued)

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

m. Budget

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

n. Use of Estimates

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

o. Tax Exempt Status

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2. CASH AND INVESTMENTS

As of June 30, 2019 and June 30, 2018, the carrying amount of the District's deposits (cash and interest-bearing money market accounts) at local banks was \$7,039,249 and \$17,126,471, respectively. The bank balance as of June 30, 2019 and June 30, 2018 was \$7,142,761 and \$17,118,139, respectively. Of the bank balance, \$750,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by the pledging banks' agents in the District's name.

At June 30, 2019, 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, 2019 and June 30, 2018 was \$10,227,726 and \$1,697.

At the time that this report was issued, the following information was available regarding this investment as of June 30, 2019:

GASB 31

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

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

GASB 40

Effective June 30, 2005, the State of Montana Board of Investments implemented the provisions of GASB Statement No. 40 – *Deposit and Investment Risk Disclosures*. The unaudited financial statements as of June 30, 2019 and 2018 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 2019 are disclosed in STIP's financial statements. An unaudited copy of the STIP fiscal year 2019 financial statements is available online at the Montana Board of Investments' website.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

3. CAPITAL ASSETS

Capital assets for the year ended June 30, 2019:

	Balance			Balance
	June 30, 2018	Additions	Disposals	June 30, 2019
Nondepreciable capital assets:				
Land	\$ 1,061,689	\$ 6,000	\$ -	\$ 1,067,689
Land improvements	58,117	-	-	58,117
Total nondepreciable capital assets	1,119,806	6,000	-	1,125,806
Depreciable capital assets:				
Buildings	708,219	-	-	708,219
Sewer infrastructure	35,946,753	1,143,013	-	37,089,766
Water infrastructure	21,213,585	966,565	-	22,180,150
Total depreciable capital assets	57,868,557	2,109,578	-	59,978,135
Accumulated depreciation	(16,902,263)	(1,130,011)	-	(18,032,274)
Depreciable capital assets, net	40,966,294	979,567	-	41,945,861
Total capital assets, net	\$ 42,086,100	\$ 985,567	\$ -	\$ 43,071,667



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

3. CAPITAL ASSETS (CONTINUED)

Capital assets for the year ended June 30, 2018:

	Balance			Balance	
	June 30, 2017	Additions	Disposals	June 30, 2018	
Nondepreciable capital assets:					
Land	\$ 1,055,689	\$ 6,000	\$ -	\$ 1,061,689	
Land improvements	58,117	-	-	58,117	
Total nondepreciable capital assets	1,113,806	6,000	-	1,119,806	
Depreciable capital assets:					
Buildings	708,220	-	-	708,220	
Sewer infrastructure	35,706,707	240,046	-	35,946,753	
Water infrastructure	20,858,157	380,290	(24,862)	21,213,585	
Total depreciable capital assets	57,273,084	620,336	(24,862)	57,868,558	
Accumulated depreciation	(15,816,966)	(1,110,159)	24,862	(16,902,263)	
Depreciable capital assets, net	41,456,118	(489,823)	-	40,966,295	
Total capital assets, net	\$ 42,569,924	\$ (483,823)	\$ -	\$ 42,086,101	



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

4. LONG-TERM DEBT

The District has issued general obligations bonds which consist of the following at June 30:

	2019	2018
2% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$319,000, dated August 1, 2013, is a refinancing of Series 2002 bonds dated September 24, 2002 for the purchase and installation of water meters. Payable in 20 semi-annual installments of approximately \$17,600 until July 1, 2023.	\$ 151,000	\$ 183,000
2.25% State of Montana General Obligation Bonds, Wastewater Revolving Fund Program totaling \$3,739,000, dated April 29, 2013, is a refinancing of Series 2002 bonds used to finance construction of the water treatment plant. Payable in 21 remaining semi-annual installments of approximately \$232,000 until July 1, 2023.	1,991,000	2,067,000
2% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$1,127,000, dated August 1, 2013, is a refinancing of Series 2003 dated May 20, 2003 for the construction of a water tank. Payable in 20 semi-annual installments of approximately \$62,300 until July 1, 2023.	535,000	648,000
2.25% State Revolving Fund (DNRC Drinking Water Revolving Loan Program) totaling \$3,867,000, dated August 1, 2013, is a refinancing of Series 2007 dated August 17, 2007 for improvements to the District's water system. Payable in 28 semi-annual installments of approximately \$161,500 until July 1, 2027.	1,709,000	2,407,000
2.25% State Revolving Fund (DNRC Revolving Loan Program) General Obligation Bond totaling \$4,353,000, dated April 29, 2013, is a refinancing of Series 2002 bonds used for the purpose of constructing a wastewater treatment plant. Payable in 21 remaining semi-annual installments of approximately \$207,000 until July 1, 2023.	2,490,000	2,753,000
Total long-term debt	6,876,000	8,058,000
Less: current portion	(1,207,000)	(1,182,000)
Long-term portion of debt	\$ 5,669,000	\$ 6,876,000

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

4. LONG-TERM DEBT (CONTINUED)

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts due within one year
Bonds payable:					
SRF Treatment Plant	\$ 2,407,000	\$ -	\$ (416,000)	\$ 1,991,000	\$ 425,000
SRF Water Meters	183,000	-	(32,000)	151,000	32,000
SRF Water Tank	648,000	-	(113,000)	535,000	115,000
GO Bonds Treatment Plant	2,067,000	-	(358,000)	1,709,000	366,000
Improvements	2,753,000	-	(263,000)	2,490,000	269,000
Total bonds payable	8,058,000	-	(1,182,000)	6,876,000	1,207,000
Compensated absences	130,870	-	(7,129)	123,741	-
Net pension liability	291,368	-	(5,121)	286,247	-
Total long-term debt	<u>\$ 8,480,238</u>	<u>\$ -</u>	<u>\$ (1,194,250)</u>	<u>\$ 7,285,988</u>	<u>\$ 1,207,000</u>

	June 30, 2017	Additions	Reductions	June 30, 2018	Amounts due within one year
Bonds payable:					
SRF Treatment Plant	\$ 2,814,000	\$ -	\$ (407,000)	\$ 2,407,000	\$ 416,000
SRF Water Meters	215,000	-	(32,000)	183,000	32,000
SRF Water Tank	758,000	-	(110,000)	648,000	113,000
GO Bonds Treatment Plant	2,417,000	-	(350,000)	2,067,000	358,000
Improvements	3,010,000	-	(257,000)	2,753,000	263,000
Total bonds payable	9,214,000	-	(1,156,000)	8,058,000	1,182,000
Compensated absences	123,033	7,837	-	130,870	-
Net pension liability	247,117	44,251	-	291,368	-
Total long-term debt	<u>\$ 9,584,150</u>	<u>\$ 52,088</u>	<u>\$ (1,156,000)</u>	<u>\$ 8,480,238</u>	<u>\$ 1,182,000</u>



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

4. LONG-TERM DEBT (CONTINUED)

Debt service requirements at June 30, 2019, were as follows.

Year	Principal	Interest	Total
2020	\$ 1,207,000	\$ 82,200	\$ 1,289,200
2021	1,234,000	67,031	1,301,031
2022	1,261,000	51,519	1,312,519
2023	1,289,000	35,669	1,324,669
2024	802,000	19,475	821,475
Thereafter	1,083,000	27,369	1,110,369
	<u>\$ 6,876,000</u>	<u>\$ 283,263</u>	<u>\$ 7,159,263</u>

Sewer System General Obligation Bonds - Debt Restrictions

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

The District was in compliance with the bond covenants at June 30, 2019.

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 City as the employer.

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

At June 30, 2019 and 2018, the District had a liability of \$286,247 and \$291,368, respectively, for its proportionate share of the net pension liability. See Note 5 for more information.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

a. Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedures uses a calculation that adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

i. Special Funding

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

ii. Not Special Funding

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

iii. Contributions

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

The proportionate shares of the employer's and the state of Montana's NPL for the June 30, 2018, and 2017, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$286,247 and the employer's proportionate share was 0.0137 percent.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

As of Measurement Date	Net Pension Liability as of June 30, 2018	Net Pension Liability as of June 30, 2017	Percent of Collective NPL as of June 30, 2018	Percent of Collective NPL as of June 30, 2017	Change in Percent of Collective NPL
Big Sky Co Water & Sewer Dist #363 Proportionate Share	\$ 286,247	\$ 291,368	0.0137 %	0.0150 %	(0.0012)%
State of Montana Proportionate Share associated with Employer	101,712	11,820	0.0196	0.0602	(0.0407)
Total	<u>\$ 387,959</u>	<u>\$ 303,188</u>	<u>0.0333 %</u>	<u>0.0752 %</u>	<u>(0.0419)%</u>

b. Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the TPL.

c. Changes in benefit terms:

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

d. Changes in proportionate share:

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

e. Pension expense

As of Measurement Date	Pension Expense as of June 30, 2018	Pension Expense as of June 30, 2017
Big Sky Co Water & Sewer Dist #363 Proportionate Share	\$ 52,572	\$ 55,726
Employer Grant Revenue - State of Montana Proportionate Share for Employer	6,788	630
Employer Grant Revenue - State of Montana Coal Tax for Employer	-	4,168
Total	<u>\$ 59,360</u>	<u>\$ 60,524</u>



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

e. Pension expense (Continued)

At June 30, 2018, the employer recognized \$52,572 for its proportionate share of the Plan's pension expense and recognized grant revenue of \$6,788 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$- from the Coal Severance Tax Fund.

f. Recognition of Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

As of Measurement Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ 21,767	\$ -
Projected Investment Earnings vs. Actual Investment Earnings	-	4,445
Changes in Assumptions	24,341	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	6,940
Employer Contributions Subsequent to the Measurement Date	64,157	-
Total	<u>\$ 110,265</u>	<u>\$ 11,385</u>

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

For the Measurement Year Ended June 30:	Recognition of Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2019	\$ 26,490
2020	16,866
2021	(6,806)
2022	(1,827)
2023	-
Thereafter	\$ -



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

g. Plan Description

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

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

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

h. Summary of Benefits

i. Eligibility for benefit

Service retirement:

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

Early retirement, actuarially reduced:

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

ii. Vesting

5 years of membership service..

iii. Member's highest average compensation (HAC)

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

h. Summary of Benefits (Continued)

iv. Compensation Cap

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

v. Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

vi. Guaranteed Annual Benefit Adjustment (GABA)

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

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



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

i. Overview of Contributions

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

Fiscal Year	Member		Local Government	
	hired <07/01/11	hired after >07/01/11	Employer	State of Montana
2019	7.9000 %	7.9000 %	8.5700 %	0.1000 %
2018	7.9000	7.9000	8.4700	0.1000
2017	7.9000	7.9000	8.3700	0.1000
2016	7.9000	7.9000	8.2700	0.1000
2015	7.9000	7.9000	8.1700	0.1000
2014	7.9000	7.9000	7.1700	0.1000
2012-2013	6.9000	7.9000	7.1700	0.1000
2010-2011	6.9000	-	7.0350	0.1000
2008-2009	6.9000	-	6.9350	0.1000
2000-2007	6.9000 %	- %	6.8000 %	0.1000 %

- Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
- Employer contributions to the system:
 - Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

i. Overview of Contributions (Continued)

- Non Employer Contributions:
 - Special Funding
 - The State contributed 0.1% of members' compensation on behalf of local government entities.
 - The State contributed 0.37% of members' compensation on behalf of school district entities.
 - The State contributed a Statutory Appropriation from the General Fund of \$33,454,182.

j. Stand-Alone Statements

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

k. Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2017. Among those assumptions were the following.

- Investment return (net of admin expense) 7.65%
- Admin expense as a % of payroll 0.26%
- General wage growth * 3.50%
- *Includes inflation at 2.75%
- Merit increases 0 to 6.3%
- Postretirement benefit increases

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% of 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%;



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

k. Actuarial Assumptions (Continued)

- 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members were based on RP 2000 Combined Mortality Tables with no projections.

l. Discount Rate

The discount rate used to measure the TPL was 7.65%. 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 establishes the contractually required rates under the Montana Code Annotated. The State contributes 0.1% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. 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 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

m. Target Allocations

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

m. Target Allocations (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.6000 %	4.0000 %
Domestic equity	36.0000	4.5500
Foreign equity	18.0000	6.3500
Fixed income	23.4000	1.0000
Private equity	12.0000	7.7500
Real estate	8.0000	4.0000
Total	100.0000 %	

n. Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, 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 (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Big Sky Co Water & Sewer Dist #363's Net Pension Liability	\$ 413,979	\$ 286,247	\$ 181,358



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

o. Summary of Significant Accounting Policies

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

p. PERS Disclosure for the Defined Contribution Plan

The Authority contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

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

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to the individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

5. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

At the plan level for the measurement period ended June 30, 2018, the PERS-CRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

6. COMMITMENTS AND CONTINGENCIES

a. Risk Management

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

b. Yellowstone Mountain Club Agreement

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

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 02, 2019, the date on which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



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

As of Measurement Date, Year Ended June 30:	Employer's Proportion of NPL (%)	Employer's NPL	State's NPL	Total	Employer's Covered Payroll	Employer's Proportionate Share as a % of Covered Payroll	Plan Fiduciary NPL as a % of TPL
2018	0.0137 %	\$ 286,247	\$ 101,712	\$ 387,959	\$ 225,549	126.9100 %	73.4700 %
2017	0.0150	291,368	11,820	303,188	185,583	157.0000	73.7500
2016	0.0145	247,117	3,019	250,136	173,777	142.2000	74.7100
2015	0.0138	192,784	2,368	195,152	160,947	119.7800	78.4000
2014	0.0112 %	\$ 139,967	\$ 1,709	\$ 141,676	\$ 156,510	111.2200 %	79.8700 %

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



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

As of Reporting Date, Year Ended June 30:	Contractually Required DB Contributions	Plan Choice Rate Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 19,394	\$ -	\$ 19,394	\$ -	\$ 226,307	8.5700 %
2018	19,104	-	19,104	-	225,549	8.4700
2017	15,533	-	15,533	-	185,583	8.3700
2016	14,525	9,465	23,990	-	173,777	13.8100
2015	\$ 13,263	\$ 14,568	\$ 27,831	\$ -	\$ 160,947	17.2900 %

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 2016 Experience Study:

General Wage Growth *	3.50%
Investment Rate of Return *	7.65%
* includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy Members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using BB, males set back 1 year
Mortality (Disabled Members)	For males and females: RP 2000 Combined Mortality Table, with no projections
Admin Expense as a % of Payroll	0.26%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Sky County Water & Sewer District No. 363, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Big Sky County Water & Sewer District No. 363's basic financial statements, and have issued our report thereon dated December 02, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Sky County Water & Sewer District No. 363's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Sky County Water & Sewer District No. 363's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Sky County Water & Sewer District No. 363's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Sky County Water & Sewer District No. 363's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Holmes & Turner
Bozeman, Montana
December 02, 2019



BIG SKY COUNTY WATER & SEWER DISTRICT NO. 363
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Current Year Findings:

None.

Prior Year Findings:

None.