

**BIG SKY ECONOMIC
DEVELOPMENT AUTHORITY**

FINANCIAL REPORT

June 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Big Sky Economic Development Authority
Billings, Montana

We have audited the accompanying financial statements of the Big Sky Economic Development Authority (the Authority), which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 the Big Sky Economic Development Authority as of June 30, 2021 and 2020, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Prior Period Adjustment

As discussed in Note 12 to the financial statements, a revised appraisal was discovered on the property purchased in the prior year, thus causing capital assets and a corresponding in-kind contribution to be understated by \$175,000. Accordingly, ending net assets as of June 30, 2020 were restated to reflect the correction of this error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability, and the schedule of contributions 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards for the year ended June 30, 2021, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co, P.C.

Billings, Montana
December 9, 2021

MANAGEMENT'S DISCUSSION
AND ANALYSIS

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Years Ended June 30, 2021, 2020, and 2019

OVERVIEW

Big Sky Economic Development Authority (“Big Sky EDA” or “the Authority”) is a governmental agency (supported in part by local tax levy). Big Sky EDA works closely with Big Sky Economic Development Corporation (Big Sky EDC) to promote, stimulate, develop, and advance the general welfare, commerce, economic development, and prosperity of the Yellowstone County market region, the State of Montana, and its citizens. Both Big Sky EDA and Big Sky EDC are governed by a Board of Directors.

As required by the Governmental Accounting Standards Board’s reporting standards, the annual financial report consists of three basic financial statements which provide financial information about the Authority. The three statements are: The Statement of Net Position, The Statement of Revenues, Expenses and Changes in Net Position, and The Statement of Cash Flows.

In addition, this section entitled “Management’s Discussion and Analysis” (“MD&A”) is included as “required supplemental information.” This discussion and analysis provide an overview of the financial activities of the Authority for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The intent of MD&A is to provide an objective and easily readable analysis of the financial activities of the Authority. It is intended to be high level and general rather than specific. While three fiscal years are presented, the discussion emphasizes the current year and addresses both positive and negative financial issues. In addition, it identifies economic or financial factors and any other issues management is aware of which could have a significant impact on future operations or operating results. Please read the following in conjunction with the Authority’s financial statements and accompanying notes.

BUSINESS DEVELOPMENT ACTIVITIES

The Authority operates the Montana Procurement Technical Assistance Center (PTAC) that provides assistance to businesses throughout the state on how to successfully bid on government contracts. The PTAC currently has subrecipients hosted by economic development agencies in five other locations in Montana. The U.S. Department of Defense funds approximately 65% of the total program cost with the balance coming from local tax levy and other sources.

The Authority operates a nine county Regional Small Business Development Center (SBDC) whose advisors provide free one-on-one consulting, counseling, and training to for-profit small businesses (pre-venture, start-up, existing) with 500 employees or less. Under the umbrella of the SBDC is the Rock31 program which serves entrepreneurs on the pathway to commercialization in high-growth industries. This program partners with higher education, private industry, and economic development with the goal of economic diversification through job creation of start-ups. The SBDC also provides training through workshops with topics including marketing, advertising, financial management, business plan preparation, and human resource management.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019

BUSINESS DEVELOPMENT ACTIVITIES (CONTINUED)

The Authority operates a Veteran's Business Outreach Center (VBOC). The US Small Business Administration (SBA) provides funding for the center via a five-year grant award with annual renewal options. The mission of the VBOC is to help veterans, transitioning service members, and military spouses start, grow, and expand small business enterprises in Montana, Wyoming, and Utah. The SBA awarded \$300,000 of funding for the most recent fiscal year. There is no matching requirement for this award.

During 2002, Big Sky EDA created a separate private non-profit corporation, Big Sky Economic Development Corporation (Big Sky EDC), whose purpose is to promote economic development through business recruitment, retention, and finance. Big Sky EDC consists of approximately 150 Billings-area businesses who donate time and financial resources toward job-creating activities in Yellowstone County. Big Sky EDA furnishes office space, management, and staffing resources in support of Big Sky EDC's activities, a portion of which is donated on an in-kind basis. Big Sky EDC engages in three primary activities in support of economic development: business recruitment, retention, and business finance.

Big Sky EDC continually seeks opportunities for businesses to relocate and/or expand to the greater Billings area. Big Sky EDC staff actively promotes Yellowstone County as an area where businesses can grow and make a positive impact to the community. Big Sky EDC, as a certified development corporation, administers an SBA 504 Loan program that enables businesses throughout Montana to gain access to the U.S. capital markets for job-creating or job-retaining investment funds. Additionally, Big Sky EDC manages a revolving loan fund through which local businesses can obtain financing that might not otherwise be available from the private sector. The above two programs provide financing tools through which Big Sky EDA can help promote business growth.

WORKFORCE DEVELOPMENT ACTIVITIES

In 2015, Big Sky EDA, in conjunction with private sector partners, initiated a workforce development effort called BillingsWorks. By identifying and promoting career opportunities via high school and college curriculum offerings, as well as promoting Billings as an attractive community for work and to raise families, BillingsWorks helps ensure a viable workforce for local employers. Local private sector partners and Big Sky EDA, through local tax levy, provide funding for BillingsWorks.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019

COMMUNITY DEVELOPMENT ACTIVITIES

The Community Development division of Big Sky EDA provides leadership and resources to plan and initiate programs, projects, and partnerships that stimulate public and private investment, provide a better quality of place, enhance the community's economic wellbeing, and provide the foundation for economic development and a vibrant economy. Community Development works with a variety of regional groups to build the foundation for a desirable quality of life. Community Development personnel work with local property owners and nearby communities within Yellowstone County to help facilitate urban renewal and to assist in the development of new or improved public services. The Community Development division is supported primarily through local tax levy and secures other Federal and State funds in support of community projects.

NET POSITION SUMMARY

During fiscal 2019, Big Sky EDA loaned \$400,000 to the Downtown Business Partnership (the DBP) for the purpose of funding DBP's effort in the One Big Sky District initiative. This loan was paid back during fiscal year 2021. See Note 1 for additional discussion.

During fiscal year 2020, Big Sky EDA was awarded a \$2 million grant from the United States Department of Commerce, Economic Development Administration (U.S. EDA). Please see discussion below under Capital Assets for additional detail related to the grant. In fiscal year 2020, the Authority completed disbursement requests for this grant in the amount of \$505,404. In fiscal year 2021, the Authority completed disbursement request for this grant in the amount of \$30,988.

Big Sky EDA maintains a stable financial position characterized by current ratios of approximately 17.1, 15.7, and 15.6 to 1 at June 30, 2021, 2020 and 2019, respectively. Big Sky EDA strives to maintain a balance between maintaining a fiscally prudent financial position and investing its resources in job-creating activities.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019

NET POSITION SUMMARY (CONTINUED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	\$ 3,418,383	\$ 2,040,506	\$ 1,294,823
Certificates of deposit	3,309,497	2,404,278	4,590,718
Receivables	321,893	764,517	466,188
Prepaid expenses and other assets	<u>37,279</u>	<u>25,443</u>	<u>6,926</u>
Total current assets	7,087,052	5,234,744	6,358,655
Notes receivable	13,650	442,609	467,196
Capital assets, not being depreciated	577,377	301,750	-
Capital assets, net of accumulated depreciation	1,426,030	1,461,900	-
Certificates of deposit	150,577	1,250,358	-
Restricted cash	<u>4,984</u>	<u>9,649</u>	<u>4,982</u>
Total assets	9,259,670	8,701,010	6,830,833
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions and adjustments	<u>249,285</u>	<u>146,350</u>	<u>247,689</u>
Total assets and deferred outflows of resources	<u>\$ 9,508,955</u>	<u>\$ 8,847,360</u>	<u>\$ 7,078,522</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current liabilities	\$ 415,523	\$ 333,438	\$ 406,824
Long-term liabilities	<u>1,127,529</u>	<u>825,316</u>	<u>884,804</u>
Total liabilities	<u>1,543,052</u>	<u>1,158,754</u>	<u>1,291,628</u>
DEFERRED INFLOWS OF RESOURCES			
Pension adjustments	<u>32,238</u>	<u>68,045</u>	<u>13,741</u>
NET POSITION			
Net investment in capital assets	2,003,407	1,763,650	-
Restricted for debt service and building reserve	4,984	9,649	4,982
Unrestricted	<u>5,925,274</u>	<u>5,847,262</u>	<u>5,768,171</u>
Total net position	<u>7,933,665</u>	<u>7,620,561</u>	<u>5,773,153</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,508,955</u>	<u>\$ 8,847,360</u>	<u>\$ 7,078,522</u>

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

In February 2020, Big Sky EDA purchased the historic Montana National Bank building in downtown Billings. The building was purchased at a discount for \$1 million with a charitable donation from the seller of \$750 thousand, for a total value of \$1.75 million. Big Sky EDA is renovating the building for the purpose of taking its suite of business support services to the next level. The facility will provide a collaborative co-working space geared toward entrepreneurs within the Rock 31 program, create a large training/conference space, as well as house the other organizational programs for Big Sky EDA.

This project will be partially funded with Federal funds from the United States Department of Commerce, Economic Development Administration (U.S. EDA). The U.S. EDA awarded a \$2 million grant to the Authority to renovate the bank building to house the Rock 31 Connect Build Grow business incubator.

During fiscal year 2021, the Authority entered into contracts with two contractors for the renovation of the Montana National Bank Building owned by the Authority. The renovation is expected to be completed at the end of fiscal year 2022 amount to approximately \$3.5 million.

RESULTS OF OPERATIONS SUMMARY

In fiscal year 2021, Big Sky EDA recorded operating income of \$279,798. In fiscal year 2020, Big Sky EDA recorded operating income of \$1,767,520, and in 2019, Big Sky EDA recorded an operating loss of \$169,501.

The difference in the operating income for the years presented is primarily to the purchase of the Montana National Bank building. This building was purchased in fiscal year 2020. The purchase included \$505,404 in U.S. EDA grant revenue related to a U.S. EDA Grant, \$500,000 in contribution revenue, and \$775,000 in in-kind contribution revenue. During fiscal year 2021, the organization received information from the sellers of the Montana National Bank building indicating that the appraised value of the building totaled \$1.75 million at the time of sale compared to the initial value of \$1.6 million. During fiscal year 2021, an adjustment was made to the fiscal year 2020 financials increasing the value of the building and the in-kind contribution from \$600,000 to \$775,000.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019

REVENUE SOURCES

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Intergovernmental:			
U.S. Department of Defense	\$ 501,415	\$ 596,424	\$ 519,994
U.S. Department of Commerce	30,988	505,404	-
U.S. Small Business Administration	557,584	473,730	431,553
U.S. Environmental Protection Agency	59,288	39,809	40,887
Other grant revenue	230,317	43,353	20,311
Contribution revenue	5,000	500,000	-
In-kind contributions	-	775,000	-
Property tax revenues	1,493,197	1,466,433	1,410,065
Grants administration	27,673	11,924	6,717
Rental and related income	-	-	-
Recovery of protested taxes	29,602	-	146,954
EDC staffing services	570,051	571,305	513,719
Other	<u>16,443</u>	<u>12,624</u>	<u>25,656</u>
Total operating revenues	3,521,558	4,996,006	3,115,856
Interest income	<u>33,306</u>	<u>79,888</u>	<u>95,774</u>
Total revenues	<u>\$ 3,554,864</u>	<u>\$ 5,075,894</u>	<u>\$ 3,211,630</u>

Fiscal Year 2021 Compared to Fiscal Year 2020

As described above, the decrease in revenue was a result of funding received for the purchase of the Montana National Bank building in fiscal year 2020. Fiscal year 2020 included \$505,404 of U.S. EDA grant revenue, \$500,000 in contribution revenue, and \$775,000 in in-kind contributions. In addition, U.S. Department of Defense revenue decreased due to less reimbursable expenses incurred in fiscal year 2021. Revenue sources offsetting this decreased income included the increase in U.S. Small Business Administration revenue with additional SBDC funds awarded from the CARES Act (\$122,069), additional grant funds awarded from Beartooth RC&D for targeted industry economic recovery, and the recovery of \$29,602 in protested taxes.

Fiscal Year 2020 Compared to Fiscal Year 2019

As described above, the increase in revenue was a result of funding received for the purchase of the Montana National Bank building. This includes the addition of U.S. EDA grant revenue (\$505,404), contributions revenue (\$500,000), and in-kind contributions (\$775,000). U.S. Department of Defense and U.S. Small Business Administration revenue increased due to award amounts and reimbursable expenses. Big Sky EDA did not have recovery of protested taxes in fiscal year 2020.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Years Ended June 30, 2021, 2020, and 2019

EXPENSES

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Procurement Technical Assistance program	\$ 614,776	\$ 741,114	\$ 622,146
Small Business Development Center	364,785	336,117	412,153
Big Sky to Sky Point	72,814	46,131	-
One Big Sky District	-	-	220,000
Rock31	139,693	132,497	61,054
Economic Development Corporation	694,741	984,043	829,127
Veterans Business Outreach Center	189,934	214,612	316,048
Workforce development	608	125,608	92,418
Communications and outreach	337,380	-	-
Community development	458,121	453,214	465,173
Administration	<u>368,908</u>	<u>195,150</u>	<u>267,238</u>
Total operating expenses	<u>\$ 3,241,760</u>	<u>\$ 3,228,486</u>	<u>\$ 3,285,357</u>

Fiscal Year 2021 Compared to Fiscal Year 2020

In fiscal year 2021, the Authority incurred less expense related to the Procurement Technical Assistance Program due to ending the staffing service arrangement to serve the Bozeman area. The Veterans Business Outreach Center incurred less expense due to vacancy savings and travel/program restrictions surrounding COVID-19. During fiscal year 2021, the Authority separated out organizational communication and outreach from the Economic Development Corporation expense source. This attributed to the increase in Communications and Outreach and corresponding decrease in Economic Development Corporation. The increase in Administration expenses is largely attributed to increased pension expense associated with the GASB Statement 68 retirement plan entry.

Fiscal Year 2020 Compared to Fiscal Year 2019

In fiscal year 2020, the Authority incurred additional expense related to the Procurement Technical Assistance Program. These expenses were related to not having a subrecipient in Bozeman. Additional expenses were incurred as a service arrangement was made to continue to serve this area.

Big Sky EDA purchased the Montana National Bank Building in fiscal 2020. Operational expenses related to this building are classified under Big Sky to Sky Point.

In fiscal 2020, Big Sky EDA did not have any sponsorship expenses associated with the development of a portion of the Billings downtown area.

**BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2021, 2020, and 2019**

SUMMARY

Big Sky EDA continues its mission of economic development in a fiscally prudent manner. Big Sky EDA's association with Big Sky EDC creates a partnership between the best opportunities that the public and private sectors have to offer for stimulating economic growth. In the future, Big Sky EDA will continue to invest in job-creating activities that will promote profitable as well as socially responsible development.

FINANCIAL STATEMENTS

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,418,383	\$ 2,040,506
Certificates of deposit	3,309,497	2,404,278
Receivables:		
Property taxes, net of allowance for doubtful property taxes receivable of \$665 and \$21,479, respectively	17,649	26,597
Grants and other	241,813	680,372
Related party	62,431	57,548
Prepaid expenses and other assets	<u>37,279</u>	<u>25,443</u>
Total current assets	<u>7,087,052</u>	<u>5,234,744</u>
CAPITAL ASSETS		
Capital assets, not being depreciated	577,377	301,750
Capital assets, net of accumulated depreciation	<u>1,426,030</u>	<u>1,461,900</u>
Total capital assets	<u>2,003,407</u>	<u>1,763,650</u>
OTHER ASSETS		
Due from Yellowstone County	13,650	34,100
Due from Downtown Billings Partnership	-	408,509
Certificates of deposit	150,577	1,250,358
Restricted cash	<u>4,984</u>	<u>9,649</u>
Total other assets	<u>169,211</u>	<u>1,702,616</u>
Total assets	9,259,670	8,701,010
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions and adjustments	<u>249,285</u>	<u>146,350</u>
Total assets and deferred outflows of resources	<u>\$ 9,508,955</u>	<u>\$ 8,847,360</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 179,373	\$ 161,590
Accrued compensated absences	184,483	170,250
Deferred revenues	<u>51,667</u>	<u>1,598</u>
Total current liabilities	<u>415,523</u>	<u>333,438</u>
LONG-TERM LIABILITIES		
Public Employees' Retirement System net pension liability	<u>1,127,529</u>	<u>825,316</u>
Total long-term liabilities	<u>1,127,529</u>	<u>825,316</u>
Total liabilities	<u>1,543,052</u>	<u>1,158,754</u>
DEFERRED INFLOWS OF RESOURCES		
Pension adjustments	<u>32,238</u>	<u>68,045</u>
NET POSITION		
Net investment in capital assets	2,003,407	1,763,650
Restricted for debt service and building reserve	4,984	9,649
Unrestricted	<u>5,925,274</u>	<u>5,847,262</u>
Total net position	<u>7,933,665</u>	<u>7,620,561</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,508,955</u>	<u>\$ 8,847,360</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Intergovernmental:		
U.S. Department of Defense	\$ 501,415	\$ 596,424
U.S. Department of Commerce	30,988	505,404
U.S. Small Business Administration	557,584	473,730
U.S. Environmental Protection Agency	59,288	39,809
Other grant revenue	230,317	43,353
Contribution revenue	5,000	500,000
In-kind contribution	-	775,000
Property tax revenues	1,493,197	1,466,433
Recovery of protested taxes	29,602	-
Grants administration	27,673	11,924
EDC staffing services	570,051	571,305
Other	<u>16,443</u>	<u>12,624</u>
Total operating revenues	<u>3,521,558</u>	<u>4,996,006</u>
OPERATING EXPENSES		
Business development:		
Procurement Technical Assistance program	614,776	741,114
Small Business Development Center	364,785	336,117
Veterans Business Outreach Center	189,934	214,612
Big Sky to Sky Point	72,814	46,131
Rock31	139,693	132,497
Economic Development Corporation - in-kind support	348,228	496,852
Economic Development Corporation - program expenses	346,513	487,191
Workforce development	608	125,608
Communications and outreach	337,380	-
Community development	458,121	453,214
Administration	<u>368,908</u>	<u>195,150</u>
Total operating expenses	<u>3,241,760</u>	<u>3,228,486</u>
Operating income	<u>279,798</u>	<u>1,767,520</u>
NON-OPERATING REVENUES		
Interest income	<u>33,306</u>	<u>79,888</u>
Total non-operating revenues	<u>33,306</u>	<u>79,888</u>
Change in net position	313,104	1,847,408
Net position, beginning of year	<u>7,620,561</u>	<u>5,773,153</u>
Net position, end of year	<u>\$ 7,933,665</u>	<u>\$ 7,620,561</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Intergovernmental grants	\$ 1,868,220	\$ 1,263,945
Contribution revenue	5,000	-
Property tax revenues	1,502,145	1,458,067
Recovery of protested taxes	29,602	-
Grants administration	27,673	11,924
EDC staffing services	565,168	677,715
Other operating receipts	16,443	12,624
Business development costs paid	(2,052,709)	(2,508,203)
Workforce development costs paid	(608)	(125,608)
Communication and outreach costs paid	(337,380)	-
Community development costs paid	(458,121)	(453,214)
Administrative costs paid	<u>(173,421)</u>	<u>(127,457)</u>
Net cash flows from operating activities	<u>992,012</u>	<u>209,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	420,450	30,675
Proceeds from maturity of certificates of deposit	614,183	984,815
Purchases of certificates of deposit	(400,000)	-
Interest received on investments	<u>22,194</u>	<u>25,067</u>
Net cash flows from investing activities	<u>656,827</u>	<u>1,040,557</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from contributions for purchase of capital assets	-	500,000
Payments for acquisition of capital assets	<u>(275,627)</u>	<u>(1,000,000)</u>
Net cash flows from capital and related financing activities	<u>(275,627)</u>	<u>(500,000)</u>
Net change in cash and cash equivalents	1,373,212	750,350
Cash and cash equivalents, beginning of year	<u>2,050,155</u>	<u>1,299,805</u>
Cash and cash equivalents, end of year	<u>\$ 3,423,367</u>	<u>\$ 2,050,155</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
SCHEDULE OF CASH AND CASH EQUIVALENTS		
AT END OF YEAR		
Cash and cash equivalents	\$ 3,418,383	\$ 2,040,506
Restricted cash	<u>4,984</u>	<u>9,649</u>
Cash and cash equivalents at end of year	<u>\$ 3,423,367</u>	<u>\$ 2,050,155</u>
 RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 279,798	\$ 1,767,520
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense	35,870	11,350
In-kind contribution	-	(775,000)
Pension adjustments	163,471	96,155
Contributions for purchases of capital assets	-	(500,000)
Changes in operating assets and liabilities:		
Receivables	442,624	(298,329)
Prepaid expenses and other assets	(11,836)	(18,517)
Accounts payable and accrued expenses	17,783	(81,057)
Deferred revenues	50,069	1,598
Accrued compensated absences	<u>14,233</u>	<u>6,073</u>
Net cash flows from operating activities	<u>\$ 992,012</u>	<u>\$ 209,793</u>
 SCHEDULE OF NONCASH TRANSACTIONS		
In-kind contribution for purchase of capital assets	<u>\$ -</u>	<u>\$ (775,000)</u>
Total noncash transactions	<u>\$ -</u>	<u>\$ (775,000)</u>

The Notes to Financial Statements are an integral part of these statements.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING
POLICIES**

Nature of Operations

The Big Sky Economic Development Authority (the Authority) was created in December 1989 by a resolution of the Yellowstone County Board of County Commissioners. The purpose of the Authority is to promote, stimulate, develop, and advance the general welfare, commerce, economic development, and prosperity of the Yellowstone County market region, the State of Montana, and its citizens.

In 1985, the Montana Legislative Assembly enacted legislation to provide funding for independent trade authorities in the state. The Authority establishes its own annual budget. The Yellowstone Board of County Commissioners determines the property tax levy to be credited to the Authority. The County bills the tax assessment and the collected taxes are remitted to the Authority.

There is no statutory requirement for a budget; accordingly, a statement of revenues, expenditures, and changes in fund balance - budget and actual, is not presented. However, the Authority does adopt an annual operating budget for management purposes.

An eleven-member Board of Commissioners governs the Authority. Commissioners serve five-year terms. The selection of Commissioners starts with an application process that is open to any Yellowstone County resident. The Authority's Nominating Committee (consisting of the Authority and Big Sky Economic Development Corporation (Big Sky EDC) board members and representatives from the City of Billings, the City of Laurel, and Yellowstone County Government) screens and interviews applicants and forwards their recommendations to the Yellowstone Board of County Commissioners for consideration and action. The Yellowstone County Commissioners then selects the successful applicant(s) for appointment to the Authority's Board. The Authority is not considered a component unit of any other primary government, but is a "trade port authority" as designated under Montana Code.

Tax Exempt Status

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority follows proprietary fund reporting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Net position represents the result of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets plus capital-related deferred outflows, net of accumulated depreciation and any outstanding balances on borrowing used in the acquisition, construction, or improvement of those assets and any capital-related deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of twelve months or less from the date of acquisition, and pooled deposits within the Yellowstone County investment pool. The pooled deposits are authorized by state law, are stated at fair value, and consist primarily of securities of the U.S. government or its agencies, and repurchase agreements. Because of the pooled cash concept, it is not possible to allocate the Authority's share of the pooled cash balance into various risk categories. Deposits held in the investment pool earn interest on a daily basis.

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value due to the short period these instruments are held. The Authority has the ability and intent to hold the certificates of deposit to maturity. As of June 30, 2021 and 2020, the Authority held certificates of deposit at various local banks totaling \$3,459,885 and \$3,654,636, respectively. These certificates of deposit were opened between 2020 and 2021, and have staggered maturity dates ranging from 6 months to 24 months.

Receivables

The Authority records receivables from property taxes, as described above, as well as for amounts due from grant agreements and from Big Sky EDC, a related party. Non-property tax receivables are recorded when the amounts are earned. Grant reports are submitted as soon as possible in order to receive payment in a timely manner. No finance charges are charged on any of the receivables. The Authority has established an allowance for doubtful accounts equivalent to all delinquent and protested property taxes receivable. All other receivables are deemed fully collectible.

Capital Assets

Capital assets are stated at cost. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The Authority's policy is to capitalize all assets with an original cost of \$5,000 or more. Capital assets are depreciated using the straight-line method over their estimated useful lives ranging between 7 years for furniture and equipment and 39 years for buildings.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

**NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Due from Yellowstone County

The Authority entered into an agreement with Yellowstone County to create the Lockwood Targeted Economic Development District (Lockwood TEDD), which contains a tax increment provision. The Authority developed a five-year Infrastructure Master Plan to be implemented within the Lockwood TEDD. Yellowstone County will provide reimbursement to the Authority for costs of the Infrastructure Master Plan, not to exceed \$75,000. The total due from Yellowstone County for the plan will be reimbursed by the County to the Authority as the District Tax Increment Revenues are collected. At June 30, 2021 and 2020, Yellowstone County owed the Authority \$13,650 and \$34,100, respectively, on this obligation.

Due from Downtown Billings Partnership

The Authority extended the Downtown Billings Partnership (DBP) a \$400,000 non-revolving line of credit to help finance the development of properties located in an area of downtown Billings known as the One Big Sky District. Principal and interest on the note were due in full on June 30, 2021, with a stated interest rate at 1.5% per annum. Principal and interest on the note were paid in full in October 2020. The total interest income received from DBP on the non-revolving line was \$10,152. For the fiscal year ended June 30, 2020, accrued interest amounted to \$8,509. The note was secured by a trust indenture on DBP-owned real estate.

Compensated Absences

Employees are allowed to accumulate vacation up to two times the number of days earned annually. Employees are allowed to accumulate sick leave without limitation. Upon termination, all unused vacation and one-fourth of accumulated sick leave, up to 1,040 hours, will be paid at the employee's rate of pay at the time of separation.

Operating Revenues and Expenses

Operating revenues are those revenues that are either generated directly from the primary activity of the Authority or are a principal source of financing for on-going operations. For the Authority, these revenues are charges for services for rent, grant administration, workshops and classes, property tax revenues, and grant revenues. Operating expenses are those necessary costs incurred to provide ongoing services and meet functional objectives of the Authority.

Program Funding Sources

The Authority operates its programs with the aid of funding primarily from the following sources:

1. U. S. Department of Defense
2. U.S. Department of Commerce
3. U. S. Small Business Administration
4. U. S. Environmental Protection Agency
5. Yellowstone County tax levy

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Funding Sources (Continued)

A major reduction in the level of support from any of these funding sources could have a negative impact on the Authority's ability to maintain its current programs.

Property Tax Revenues

Property tax revenues received are considered operating revenues, as they are a principal source of financing of the Authority's ongoing operations. The real property taxes are levied by Yellowstone County based on the assessed value of property as listed on the previous January 1. The semi-annual installments are due in November and May. As of December 1 and June 1, uncollected real property taxes become delinquent. Taxpayers may pay taxes in protest, which are held by the County until resolution of the complaint. An allowance for doubtful accounts has been recorded to provide for uncollectible delinquent taxes and protested taxes.

Accounting Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Reclassifications

Certain amounts presented in the prior year have been reclassified to conform to current year financial statement presentation. The reclassifications have no impact on previously reported net position or change in net position.

Subsequent Events

Management has evaluated subsequent events through December 9, 2021, the date which the financial statements were available for issue.

NOTE 2. CASH AND CASH EQUIVALENTS

The Authority's bank balances and cash on hand, and certificates of deposit amounted to \$6,009,133 and \$5,186,414 as of June 30, 2021 and 2020, respectively. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At June 30, 2021 and 2020, bank balances for these accounts exceeded insured limits by \$2,618,636 and \$1,801,427, respectively.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority also maintains funds in a cash and investment pool managed by Yellowstone County. Yellowstone County maintains a cash and investment pool for all funds under the control of the County Treasurer. Cash and cash equivalents may include cash, demand, money market, time savings, and fiscal agent deposits; repurchase agreements and direct obligations of the United States Government. All cash and investments with a maturity date of three months or less or those that can be liquidated within 30 days, are treated as cash and cash equivalents for cash flow reporting. Investments are stated at fair value.

The composition of the cash held at the County is available in the County’s audited financial statements, which can be obtained by calling the County Fiscal Office at (406) 256-2718.

The Authority’s cash and cash equivalents balances with Yellowstone County as of June 30, 2021 and 2020, was \$570,859 and \$535,969, respectively. Because of the pooled cash concept, it is not possible to allocate the Authority’s balance into risk categories. However, all participants in the Pool share risks proportionately. That is, each dollar invested shares proportionately in the risk of the pooled investments.

All investments meet collateral requirements specified by State law.

The composition of cash and cash equivalents as shown on the statements of net position follows:

	<u>2021</u>	<u>2020</u>
Amounts held at financial institutions	\$ 2,852,508	\$ 1,514,186
Amounts held at Yellowstone County	<u>570,859</u>	<u>535,969</u>
Total	<u>\$ 3,423,367</u>	<u>\$ 2,050,155</u>

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, is summarized below:

	Balance as of July 1, 2020	Prior Period Adjustment	Balance as of July 1, 2020, restated	Additions	Balance as of June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 272,000	\$ 29,750	\$ 301,750	\$ -	\$ 301,750
Construction in progress	-	-	-	275,627	275,627
Total capital assets not being depreciated	<u>272,000</u>	<u>29,750</u>	<u>301,750</u>	<u>275,627</u>	<u>577,377</u>
Capital assets, being depreciated:					
Building and improvements	<u>1,328,000</u>	<u>145,250</u>	<u>1,473,250</u>	-	<u>1,473,250</u>
Total capital assets being depreciated	<u>1,328,000</u>	<u>145,250</u>	<u>1,473,250</u>	-	<u>1,473,250</u>
Total capital assets	1,600,000	175,000	1,775,000	275,627	2,050,627
Less accumulated depreciation	<u>(11,350)</u>	-	<u>(11,350)</u>	<u>(35,870)</u>	<u>(47,220)</u>
Capital assets, net	<u>\$ 1,588,650</u>	<u>\$ 175,000</u>	<u>\$ 1,763,650</u>	<u>\$ 239,757</u>	<u>\$ 2,003,407</u>

Capital asset activity for the fiscal year ended June 30, 2020, is summarized below:

	Balance as of July 1, 2019	Additions	Balance as of June 30, 2020
Capital assets, not being depreciated:			
Land	\$ -	\$ 272,000	\$ 272,000
Total capital assets not being depreciated	-	<u>272,000</u>	<u>272,000</u>
Capital assets, being depreciated:			
Building and improvements	-	1,328,000	<u>1,328,000</u>
Total capital assets being depreciated	-	<u>1,328,000</u>	<u>1,328,000</u>
Total capital assets	-	1,600,000	1,600,000
Less accumulated depreciation	-	<u>(11,350)</u>	<u>(11,350)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 1,588,650</u>	<u>\$ 1,588,650</u>

Depreciation expense for the fiscal years ended June 30, 2021 and 2020, totaled \$35,870 and \$11,350, respectively, and has been charged to the Big Sky to Sky Point function in the accompanying financial statements based on the use and purpose of the related capital assets.

NOTE 4. CONDUIT DEBT

In August 2009, the Authority borrowed \$691,639 under the Montana Board of Investment's Infrastructure Loan program to provide financial assistance to a private sector entity (Cabela's) for the construction of a new building in Billings. The funding of this project was made to encourage the location and development of such project in the City of Billings and create new jobs in the area. Based on the financing terms, the Authority is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability on the accompanying financial statements. As of June 30, 2021 and 2020, the outstanding balance on the note totaled \$480,054 and \$501,340, respectively. The final payment on this note is due August 1, 2034.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 5. LEASES

Office Space

The Authority has executed a lease agreement for office space. The lease expense is allocated to each program, based on the percentage of square footage utilized. The terms extend the lease through June 30, 2021, with increasing rates each fiscal year. Lease expense for the years ended June 30, 2021 and 2020, totaled \$139,803 and \$135,406, respectively. Minimum future lease payments are \$142,263 in 2022.

NOTE 6. RETIREMENT PLAN

In accordance with 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 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 of Resources associated with pensions. Employers are provided guidance in GASB Statement 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.

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 Net Pension Liability (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).

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan

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. 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 services;
 - 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.

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

- 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 refund of member's contributions plus return interest (currently 2.02% effective July 1, 2018).
 - No service credit for second employment;
 - Start the same benefit amount the month following termination; and
 - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - The same retirement as prior to the return to service;
 - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - 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 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 ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (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 2.0% 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. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Overview of Contributions

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Overview of Contributions (Continued)

- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
- c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

3. Non-Employer Contributions

a. Special Funding

- i. The State contributed 0.1% of members' compensation on behalf of local government entities.
- ii. The State contributed 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a Statutory Appropriation from the General Fund of \$33,951,150.

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

Fiscal Year	Member		State &				
			Universities	Local Government		School Districts	
	Hired <7/01/11	Hired >7/01/11	Employer	Employer	State	Employer	State
2021	7.90%	7.90%	8.870%	8.770%	0.10%	8.50%	0.370%
2020	7.90%	7.90%	8.770%	8.670%	0.10%	8.40%	0.370%
2019	7.90%	7.90%	8.670%	8.570%	0.10%	8.30%	0.370%
2018	7.90%	7.90%	8.570%	8.470%	0.10%	8.20%	0.370%
2017	7.90%	7.90%	8.470%	8.370%	0.10%	8.10%	0.370%
2016	7.90%	7.90%	8.370%	8.270%	0.10%	8.00%	0.370%
2015	7.90%	7.90%	8.270%	8.170%	0.10%	7.90%	0.370%
2014	7.90%	7.90%	8.170%	8.070%	0.10%	7.80%	0.370%
2012-2013	6.90%	7.90%	7.170%	7.070%	0.10%	6.80%	0.370%
2010-2011	6.90%		7.170%	7.070%	0.10%	6.80%	0.370%
2008-2009	6.90%		7.035%	6.935%	0.10%	6.80%	0.235%
2000-2007	6.90%		6.900%	6.800%	0.10%	6.80%	0.100%

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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, 2020, was determined by taking the results of the June 30, 2019, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

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, 2021 and 2020, 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 \$1,127,529 and the employer’s proportionate share was 0.042738 percent.

<u>As of Reporting Date</u>	<u>Net Pension Liability as of June 30, 2021</u>	<u>Net Pension Liability as of June 30, 2020</u>	<u>Percent of Collective NPL as of June 30, 2021</u>	<u>Percent of Collective NPL as of June 30, 2020</u>	<u>Change in Percent of Collective NPL</u>
Employer proportionate share	\$ 1,127,529	\$ 825,316	0.0427%	0.0395%	0.0033%
State of Montana proportionate share associated with employer	<u>369,240</u>	<u>279,141</u>	<u>0.0140%</u>	<u>0.0134%</u>	<u>0.0006%</u>
Total	<u>\$ 1,496,769</u>	<u>\$ 1,104,457</u>	<u>0.0567%</u>	<u>0.0528%</u>	<u>0.0039%</u>

Changes in actuarial assumptions and methods – The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

1. The discount rate was lowered from 7.65% to 7.34%.
2. The investment rate of return was lowered from 7.65% to 7.34%.
3. The inflation rate was reduced from 2.75% to 2.40%.

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

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Changes in proportionate share - There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

Pension Expense - At June 30, 2021, the employer recognized \$211,527 for its proportionate share of the Plan's pension expense. The employer also recognized grant revenue of \$60,386 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

<u>As of Reporting Date</u>	<u>Pension Expense Year Ended June 30, 2021</u>	<u>Pension Expense Year Ended June 30, 2020</u>
Employer's proportionate share of PERS	\$ 211,527	\$ 157,875
State of Montana Proportionate Share associated with the employer	<u>60,386</u>	<u>18,951</u>
Total	<u>\$ 271,913</u>	<u>\$ 176,826</u>

Recognition of Deferred Inflows and Outflows - At June 30, 2021, the employer reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Expected vs. actual experience	\$ 18,201	\$ 32,238
Projected investment earnings vs. actual investment earnings	97,634	-
Changes in assumptions	78,077	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,971	-
Employer contributions subsequent to the measurement date	<u>48,119</u>	<u>-</u>
Total	<u>\$ 250,002</u>	<u>\$ 32,238</u>

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

\$48,119 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2022. 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 Reporting Year Ended June 30,	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to Pension Expense
2022	\$ 27,851
2023	83,288
2024	34,114
2025	24,393
Thereafter	-

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) of 7.34%
- Admin Expense as % of Payroll of 0.30%
- General Wage Growth* of 3.5%
*includes Inflation at 2.40%
- Merit Increases of 0% to 4.80%
- 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 all other adjustments to the member's benefit.
 - 3% for members hired prior to July 1, 2007
 - 1.5% for members hired between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Actuarial Assumptions (Continued)

- Mortality
 - Contributing members, service retired members and beneficiaries based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males
 - Disabled Members based on RP-2000 Combined Mortality Tables, with no projections

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 is reviewed as part of the regular experience studies prepared for the Plan. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2020, are summarized below.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return Arithmetic Basis
Cash equivalents	2.00%	0.11%
Domestic equity	30.00%	6.19%
International equity	16.00%	6.92%
Private investments	14.00%	10.37%
Natural resources	4.00%	3.43%
Real estate	9.00%	5.74%
Core fixed income	20.00%	1.57%
Non-core fixed income	5.00%	3.97%
Total	<u>100.00%</u>	

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Discount Rate - The discount rate used to measure the TPL was 7.34%. 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 2123. 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.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate - 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 7.34%, 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.

	1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
Employer's net pension liability	<u>\$ 1,551,977</u>	<u>\$ 1,127,529</u>	<u>\$ 770,996</u>

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

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 6. RETIREMENT PLAN (CONTINUED)

PERS Disclosure for the Defined Contribution Plan (Continued)

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

At the plan level for the measurement period ended June 30, 2021, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

Pension plan fiduciary net position - The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report (CAFR)* and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 7. POST-EMPLOYMENT HEALTH CARE BENEFITS

Employees of the Authority are allowed to participate in the health plan of Yellowstone County. Retired and other past employees of the Authority are allowed to continue to participate in this plan. The costs of the retiree health care benefits are covered by participant contributions. Yellowstone County has no plans to allocate any portion of its other post-employment benefits liability down to the Authority. Accordingly, the liability is not recorded in the Authority's financial statements.

NOTE 8. RISK MANAGEMENT

The Authority faces a number of risks of loss, including, but not limited to 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) worker's compensation (i.e. employee injuries). Commercial policies, transferring all risks of loss, except for small deductible amounts, are purchased to mitigate these risks.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 9. RELATED PARTY TRANSACTIONS

During 2002, the Authority created a separate non-profit corporation, Big Sky EDC, whose purpose is to promote economic development through business recruitment, retention, and finance. Big Sky EDC has been deemed not to be a component unit organization in accordance with the standards set forth in Governmental Accounting Standards Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*.

The Authority provided services amounting to \$918,279 and \$997,128 to Big Sky EDC in 2021 and 2020, respectively. These services included operating costs such as salaries, rent, and insurance. A portion of these costs are reimbursed by Big Sky EDC to the Authority, and a portion is provided as an in-kind contribution. These amounts are shown in the accompanying statements of revenues, expenses, and changes in net position as Economic Development Corporation in-kind support and program expenses. As of June 30, 2021 and 2020, the Authority has a receivable from Big Sky EDC in the amount of \$62,431 and \$57,548, respectively.

In February 2020, Big Sky EDC purchased the historic Montana National Bank building in downtown Billings. The building and land were recorded at estimated fair value as of the date of receipt based on the appraised value of the building totaling \$1,775,000. Following this purchase, Big Sky EDC transferred the building and land to the Authority, providing a cash contribution of \$500,000 and an in-kind donation of \$775,000 for the transfer. See discussion on prior period adjustment related to this transaction at Note 12.

An employee of the Authority is a board member of the Downtown Billings Partnership (DBP). As described in Note 1, the Authority extended a \$400,000 line of credit to the DBP. This note was paid in full in October 2020.

NOTE 10. RESTRICTED CASH

The Authority holds restricted cash in a First Interstate Bank deposit account. Loan payments from Cabela's, related to the conduit debt described in Note 4, are deposited into this account on a monthly basis. The amount received as the monthly payment is later withdrawn by the Montana Board of Investments to be applied to the outstanding loan balance. The Authority held \$4,984 and \$9,649 in this account as of June 30, 2021 and 2020, respectively.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2021 and 2020

NOTE 11. COMMITMENTS

During the fiscal year ended June 30, 2021, the Authority entered into contracts with two contractors for the renovation on the Montana National Bank Building owned by the Authority. The renovation is expected to be completed at the end of fiscal year 2022. Estimated future expenditures under these contracts amount to approximately \$3,500,000.

NOTE 12. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2021, the Authority recorded a prior period adjustment to account for an updated appraisal on the Montana National Bank Building property purchased in fiscal year 2020. As described in Note 9, Big Sky EDC was the original purchaser of the property. The property was subsequently transferred to the Authority with a corresponding \$600,000 recorded as an in-kind contribution from Big Sky EDC.

The original appraisal, dated May 31, 2019, reported a value of \$1,600,000 on the property and the updated appraisal, dated February 28, 2020, reported an increased value of \$1,775,000 on the property. The Authority was not made aware of the updated appraisal until after the audited June 30, 2020 financial statements had been issued. Accordingly, adjustments were recorded in the prior period as follows:

	As Previously Stated <u>June 30, 2020</u>	Prior Period Adjustment <u> </u>	As Restated <u>June 30, 2020</u>
Statement of net position			
Capital assets, not being depreciated	\$ 272,000	\$ 29,750	\$ 301,750
Capital assets, net of accumulated depreciation	1,316,650	145,250	1,461,900
Net investment in capital assets	1,588,650	175,000	1,763,650
Statement of revenues, expenses, and changes in net position			
In-kind contribution	600,000	175,000	775,000

REQUIRED SUPPLEMENTARY INFORMATION

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
June 30, 2021

As of measurement date	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportionate share of the net pension liability (percentage)	4.2738%	0.0395%	0.0424%	0.0467%	0.0361%	0.0317%	0.0333%
Employer's net pension liability (amount)	\$ 1,127,529	\$ 825,316	\$ 884,804	\$ 908,811	\$ 615,174	\$ 443,305	\$ 414,985
State of Montana's net pension liability (amount)	<u>369,240</u>	<u>279,141</u>	<u>304,336</u>	<u>23,290</u>	<u>7,517</u>	<u>5,445</u>	<u>5,068</u>
Total	<u>\$ 1,496,769</u>	<u>\$ 1,104,457</u>	<u>\$ 1,189,140</u>	<u>\$ 932,101</u>	<u>\$ 622,691</u>	<u>\$ 448,750</u>	<u>\$ 420,053</u>
Employer's covered payroll ¹	\$ 717,072	\$ 651,467	\$ 697,175	\$ 578,860	\$ 432,602	\$ 370,095	\$ 418,981
Employer's proportionate share as a percent of covered payroll	157.24%	126.69%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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

¹ All employer adjustments made in the current fiscal year 2021, but are considered a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employer's proportionate share.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE LAST TEN FISCAL YEARS*
June 30, 2021

As of most recent FYE (reporting date)	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required defined benefit contributions	\$ 48,119	\$ 62,826	\$ 56,030	\$ 59,051	\$ 48,451	\$ 36,159	\$ 30,497
Plan Choice Rate required contributions	-	-	-	-	-	15,251	23,335
Contributions in relation to the contractually required contributions	48,119	62,826	56,030	59,051	48,451	51,410	53,832
Contribution deficiency (excess)	-	-	-	-	-	-	-
Employer's covered payroll ¹	548,674	717,072	651,467	697,175	578,860	432,602	370,095
Contributions as a percent of covered payroll	8.77%	8.76%	8.60%	8.47%	8.37%	11.88%	14.55%

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

¹ All employer adjustments made in the current fiscal year 2021, but are considered a payroll with a pay date in a prior fiscal year, are considered prior year adjustments and are removed from the covered payroll report before the actuary calculates the employer's proportionate share.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Changes of Benefit Terms

The following changes to the plan provision 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 ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2021

Changes 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, 2019 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale 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	0.30%

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.

SINGLE AUDIT

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Defense			
Procurement Technical Assistance	12.002	SP4800-19-2-1922 - Option Year II	\$ 52,092
Procurement Technical Assistance	12.002	SP4800-20-2-2022	<u>449,323</u>
Total Department of Defense			<u>501,415</u>
U.S. Environmental Protection Agency			
EPA National Brownfields Assessment Grants	66.818	BF-96855601	3,725
EPA National Brownfields Assessment Grants	66.818	BF-96855601-1	<u>68,563</u>
Total U.S. Environmental Protection Agency			<u>72,288</u>
U.S. Small Business Administration			
Passed through Montana Department of Commerce			
Small Business Development Center	59.037	14-51-009G	59,924
Small Business Development Center	59.037	21-51-070	58,500
COVID-19 Small Business Development Center CARES Act	59.037	20-51-142	44,733
COVID-19 Small Business Development Center CARES Act	59.037	20-51-142A	<u>80,336</u>
Total passed through Montana Department of Commerce			243,493
Veteran's Business Outreach Center	59.044	SBAOVVB20020-01-00	207,005
Veteran's Business Outreach Center	59.044	SBAOVVB20020-02-00	<u>41,899</u>
Total U.S. Small Business Administration			<u>492,397</u>
U.S Department of Commerce			
ROCK31 Connect Build Grow	11.300	05-01-05938 URI: 113070	<u>30,988</u>
Total expenditures of federal awards			<u>\$ 1,097,088</u>

See Notes to Schedule of Expenditures of Federal Awards.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2021

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the Authority under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2. MATCHING FUNDS

In accordance with the terms of the grants, the Authority has expended cash and in-kind matching contributions during the year ended June 30, 2021, for the following programs:

U.S. Department of Defense:	
SP4800-19-2-1922-Option Year II	\$ 25,250
SP4800-20-2-2022	<u>244,077</u>
	<u>269,327</u>
U.S. Small Business Administration:	
14-51-009G	57,842
21-51-070	<u>77,211</u>
	<u>135,053</u>
U.S. Department of Commerce:	
05-01-05938 URI: 113070	<u>30,988</u>
	<u>30,988</u>
Total	<u><u>\$ 404,380</u></u>

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2021

NOTE 3. SUB-RECIPIENTS

The Authority passed through federal funding from the U. S. Department of Defense, Procurement Technical Assistance program to the following sub-recipients for the year ended June 30, 2021:

Montana West Economic Development	\$ 71,207
University of Montana	77,155
Ravalli County Economic Development Authority	21,541
Great Falls Development Authority	67,095
Snowy Mountain Development	<u>36,432</u>
	<u>\$ 273,430</u>

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 Commissioners
Big Sky Economic Development Authority
Billings, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Big Sky Economic Development Authority (the Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Authority'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.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
December 9, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Commissioners
Big Sky Economic Development Authority
Billings, Montana

Report on Compliance for Major Federal Program

We have audited the Big Sky Economic Development Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
December 9, 2021

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)	No
Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.037	Small Business Development Centers
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

FINANCIAL STATEMENT FINDINGS

None noted.

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None noted.



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