

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

We have audited the financial statements of the Big Sky Economic Development Authority (the Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on prior year's experience and management's analysis of the Authority's policy for uncollected taxes receivable. We evaluated the key factors and assumptions used to develop the estimate of the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based on methods and assumptions to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. We evaluated the key factors and assumptions used to develop the estimate of the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of related party transactions in Note 9 to the financial statements is considered to be an integral part of the accompanying financial statements. We evaluated the key factors and assumptions used in management's preparation of these disclosures and determined the disclosures to be reasonable in relation to the financial statements taken as a whole.

The disclosure of the prior period adjustment in Note 12 to the financial statements is considered to be an integral part of the accompanying financial statements. The Authority restated the financial statements for the fiscal year ended June 30, 2020 resulting from a revised appraisal received on the Montana National Bank Building property.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We had no proposed adjustments.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 9, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements, but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Upcoming Changes in Auditing Standards

In May 2019, the AICPA's Auditing Standards Board (ASB) issued, Statement on Auditing Standards (SAS) 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*. The primary objective of SAS 134 is to improve audit transparency while enhancing the value of the audit reports for financial statement audits.

Key changes to the auditor's report included in this standard are as follows:

- The Auditor's Opinion section will be presented first, followed by the Basis for Opinion section.
- The Basis for Opinion section will include the following items:
  - The auditor's requirement to be independent of the entity and to meet other ethical standards,
  - Reference to the section of the report describing the auditor's responsibilities under generally accepted accounting standards (GAAS),
  - A statement that the audit was conducted in accordance with GAAS in the United States, and
  - A statement regarding whether the auditor believes the audit evidence obtained during the audit is sufficient and appropriate to provide a basis for the auditor's opinion.
- Discussion of both the auditor's and management's responsibilities related to going concern of the entity.
- Expanded description of the auditor's responsibilities relating to professional judgment and professional skepticism.
- Key Audit Matters (KAMs) – If and when the auditor is engaged to report on KAMs, the auditor will use his or her judgment in determining the KAMs that are of the greatest significance in the audit of the financial statements for the current period. These are generally areas with higher risk of material misstatement, areas that involve significant judgment, or significant transactions or events that occurred during the current year under audit.

To reiterate, KAMs are optional. An entity may elect to engage their auditor to communicate KAMs in the report. Behind the additional language added to the report is a significant amount of additional work performed by the audit team in properly identifying, assessing, and communicating KAMs. Additionally, the communication of KAMs do not alter the opinion on the financial statements.

This auditing standard effective date has been delayed and is now effective for audits of financial statements for periods ending on or after December 15, 2021, thus the standard will be effective for the Authority in fiscal year 2022.

This information is intended solely for the information and use of the governance and management of the Big Sky Economic Development Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Anderson Zurmuehlen + Co, P.C.*

Billings, Montana  
December 9, 2021

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY  
ATTACHMENT A – UPCOMING CHANGES IN ACCOUNTING STANDARDS  
June 30, 2021

GASB Pronouncements Effective for the Fiscal Year Ending June 30, 2022:

- GASB No. 87: *Leases*
  - Objective: To better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.
  
- GASB 89: *Accounting for Interest Cost Incurred Before the End of a Construction Period*
  - Objective — To (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplify accounting for interest cost incurred before the end of a construction period.
  
- GASB 92: *Omnibus 2020*
  - To address a variety of topics, including:
    - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
    - The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
    - The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
    - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
    - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, effective upon issuance of statement.
    - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
    - Terminology used to refer to derivative instruments, effective upon issuance of statement.

BIG SKY ECONOMIC DEVELOPMENT AUTHORITY  
ATTACHMENT A – UPCOMING CHANGES IN ACCOUNTING STANDARDS  
(CONTINUED)  
June 30, 2021

GASB Pronouncements Effective for the Fiscal Year Ending June 30, 2022 (Continued):

- GASB 93: *Replacement of Interbank Offered Rates*
  - Objective: As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Pronouncements Effective for the Fiscal Year Ending June 30, 2023:

- GASB 91: *Conduit Debt Obligations*
  - Objective: To provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.
- GASB 94: *Public-Private and Public-Public Partnership and Availability Payment Arrangements*
  - Objective: To improve financial reporting by addressing issues related to public-private and public-public partnership (PPP) arrangements and for availability payment arrangements (APAs).
- GASB 96: *Subscription-Based Information Technology Arrangements*
  - Objective: To provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**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>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
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
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
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>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>LIABILITIES</b>			
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>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension adjustments	<u>32,238</u>	<u>68,045</u>	<u>13,741</u>
<b>NET POSITION</b>			
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>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
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>
<b>CAPITAL ASSETS</b>		
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>
<b>OTHER ASSETS</b>		
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
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
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>
<b>OPERATING REVENUES</b>		
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>
<b>OPERATING EXPENSES</b>		
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>
<b>NON-OPERATING REVENUES</b>		
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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
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>
<b>SCHEDULE OF CASH AND CASH EQUIVALENTS</b>		
<b>AT END OF YEAR</b>		
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>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
 <b>SCHEDULE OF NONCASH TRANSACTIONS</b>		
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>	Pension Expense Year Ended June 30, 2021	Pension Expense Year Ended June 30, 2020
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>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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	\$ 1,551,977	\$ 1,127,529	\$ 770,996

**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**

<b>As of measurement date</b>	<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>
<b>Total</b>	<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 <sup>1</sup>	\$ 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.

<sup>1</sup> 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**

<b>As of most recent FYE (reporting date)</b>	<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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,251</u>	<u>23,335</u>
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 <sup>1</sup>	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.

<sup>1</sup> 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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To the Board of Directors  
Big Sky Economic Development Corporation, Inc.  
Billings, Montana

We have audited the financial statements of Big Sky Economic Development Corporation, Inc. (the Organization) (Big Sky EDC) for the year ended June 30, 2021, and have issued our report thereon dated December 9, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Sky Economic Development Corporation, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted during the year. The application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the loan loss reserve is based on past experience and management's analysis of notes receivable. We evaluated the key factors and assumptions used to develop the estimate of the loan loss reserve in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of related party transactions in Note 8 and the disclosure of receivables in Note 3 to the financial statements are considered to be an integral part of the accompanying financial statements. We evaluated the key factors and assumptions used in management's preparation of these disclosures and determined the disclosures to be reasonable in relation to the financial statements taken as a whole.

The disclosure of the prior period adjustment in Note 10 to the financial statements is considered to be an integral part of the accompanying financial statements. Big Sky EDC restated the financial statements for the fiscal year ended June 30, 2020 resulting from a revised appraisal received on the Montana National Bank Building property, which was transferred to Big Sky Economic Development Authority in 2020.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatement identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We had no proposed adjustments as a result of our audit procedures.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 9, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention. The following are some best practice considerations to take into account in future periods to help strengthen the Organization's internal controls:

- During our testing, we noted a few instances where supporting documentation could not be viewed for changes in loan terms and the recording of a member-investor trade. We recommend that any changes made to loan receivable terms be put in writing and signed by both parties, even if it is a temporary change in loan terms. Additionally, we recommend that any verbal agreement related to revenues be put in writing. A written acknowledgment by both parties would be ideal in order to substantiate the transaction.

### Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, attachment A to this letter contains a brief overview of recent pronouncements of the Financial Accounting Standards Board (FASB) that may be applicable to Big Sky EDC and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

### Upcoming Changes in Auditing Standards

In May 2019, the AICPA's Auditing Standards Board (ASB) issued, Statement on Auditing Standards (SAS) 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*. The primary objective of SAS 134 is to improve audit transparency while enhancing the value of the audit reports for financial statement audits.

Key changes to the auditor's report included in this standard are as follows:

- The Auditor's Opinion section will be presented first, followed by the Basis for Opinion section
- The Basis for Opinion section will include the following items:
  - The auditor's requirement to be independent of the entity and to meet other ethical standards,
  - Reference to the section of the report describing the auditor's responsibilities under generally accepted accounting standards (GAAS),
  - A statement that the audit was conducted in accordance with GAAS in the United States, and



- A statement regarding whether the auditor believes the audit evidence obtained during the audit is sufficient and appropriate to provide a basis for the auditor's opinion.
- Discussion of both the auditor's and management's responsibilities related to going concern of the entity.
- Expanded description of the auditor's responsibilities relating to professional judgment and professional skepticism.
- Key Audit Matters (KAMs) – If and when the auditor is engaged to report on KAMs, the auditor will use his or her judgment in determining the KAMs that are of the greatest significance in the audit of the financial statements for the current period. These are generally areas with higher risk of material misstatement, areas that involve significant judgment, or significant transactions or events that occurred during the current year under audit.

To reiterate, KAMs are optional. An entity may elect to engage their auditor to communicate KAMs in the report. Behind the additional language added to the report is a significant amount of additional work performed by the audit team in properly identifying, assessing, and communicating KAMs. Additionally, the communication of KAMs do not alter the opinion on the financial statements.

This auditing standard effective date has been delayed and is now effective for audits of financial statements for periods ending on or after December 15, 2021, thus the standard will be effective for the Organization in fiscal year 2022.

This information is intended solely for the use of the Board of Directors and management of Big Sky Economic Development Corporation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Anderson Zurmuehlen + Co, P.C.*

Billings, Montana  
December 9, 2021

BIG SKY ECONOMIC DEVELOPMENT CORPORATION, INC.  
ATTACHMENT A – UPCOMING CHANGES IN ACCOUNTING STANDARDS  
June 30, 2021

Accounting Standard Updates Effective for the Fiscal Year Ending June 30, 2022:

- ASU 2016-02, *Leases (Topic 842)* and corresponding suite of Topic 842 ASU's issued thereafter
  - Objective: To increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.
  
- ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*
  - Objective: To improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities.
  
- ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*
  - Objective: The amendments in this Update improve GAAP because they eliminate the diversity in practice that exists today between the application of the Master Glossary's definition compared with the definition that many entities use for accreditation purposes. In addition, using proceeds from deaccessioned collection items toward direct care better aligns with many entities' missions to specifically maintain their collections. Furthermore, aligning the definition and permitting proceeds to be utilized for the care of existing collections are consistent with the basis for conclusions in Statement 116 about the care and preservation of collections. The care and preservation of collections was a foundational element of the basis for permitting entities to not recognize contributed collections.

**BIG SKY ECONOMIC  
DEVELOPMENT CORPORATION**

**FINANCIAL REPORT**

**June 30, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Sky Economic Development Corporation, Inc.  
Billings, Montana

We have audited the accompanying financial statements of Big Sky Economic Development Corporation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Sky Economic Development Corporation, Inc. as of June 30, 2021 and 2020, and the changes in its net assets, 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 10 to the financial statements, a revised appraisal was discovered on the property purchased in the prior year and then transferred to Big Sky Economic Development Authority (the Authority), thus causing in-kind support for the purchase of fixed assets and in-kind contribution expense to the Authority on the sale of the property to be understated by \$175,000. Accordingly, the financial statements as of and for the year ended June 30, 2020 were restated to reflect the this matter. Our opinion is not modified with respect to this matter.

*Anderson Zurmuehlen + Co, P.C.*

Billings, Montana  
December 9, 2021

FINANCIAL STATEMENTS

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,866,982	\$ 1,702,901
Accounts receivable	39,152	61,184
Pledges receivable	27,000	-
Prepaid expenses	2,471	8,276
Current portion notes receivable, net	133,450	111,629
Total current assets	<u>2,069,055</u>	<u>1,883,990</u>
<b>NON-CURRENT ASSETS</b>		
Allowance for Loan Losses	(21,626)	(21,934)
Notes receivable, net of current portion	947,833	985,079
Total assets	<u>\$ 2,995,262</u>	<u>\$ 2,847,135</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 23,118	\$ 14,200
Due to related party	62,431	57,548
Deferred revenue	39,674	35,811
Total current liabilities	<u>125,223</u>	<u>107,559</u>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Designated	732,555	740,311
Undesignated	2,003,181	1,949,502
Total Without Donor Restrictions	<u>2,735,736</u>	<u>2,689,813</u>
With Donor Restrictions	134,303	49,763
Total net assets	<u>2,870,039</u>	<u>2,739,576</u>
Total liabilities and net assets	<u>\$ 2,995,262</u>	<u>\$ 2,847,135</u>

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



BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Private donor funding	\$ -	\$ 92,540	\$ 92,540
Member-Investor support	275,925	-	275,925
In-kind support from related party	348,228	-	348,228
Loan fees	595,026	-	595,026
Interest income	41,462	-	41,462
Net Assets released from restrictions	8,000	(8,000)	-
Other income	144,477	-	144,477
<b>Total support and revenue</b>	<b>1,413,118</b>	<b>84,540</b>	<b>1,497,658</b>
<b>EXPENSES</b>			
Program expenses			
Business recruitment and retention	202,464	-	202,464
Business Development and Outreach	139,253	-	139,253
Workforce Development	219	-	219
Rock31	5,921	-	5,921
Member-investor relations	152,355	-	152,355
Business financing	692,992	-	692,992
<b>Total program expenses</b>	<b>1,193,204</b>	<b>-</b>	<b>1,193,204</b>
General and administrative	173,991	-	173,991
<b>Total operating expenses</b>	<b>1,367,195</b>	<b>-</b>	<b>1,367,195</b>
Change in Net Assets	45,923	84,540	130,463
Net assets, beginning of year	2,689,813	49,763	2,739,576
<b>Net assets, end of year</b>	<b>\$ 2,735,736</b>	<b>\$ 134,303</b>	<b>\$ 2,870,039</b>

The Notes to Financial Statements are an integral part of this statement.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Private donor funding	\$ -	\$ 3,500	\$ 3,500
Member-Investor support	313,910	10,500	324,410
In-kind support from related party	425,822	-	425,822
In-kind support from unrelated party	775,000	-	775,000
Loan fees	787,080	-	787,080
Interest income	38,300	-	38,300
Recovery of bad debt	9,067	-	9,067
Net Assets released from restrictions	12,500	(12,500)	0
Other income	15,929	-	15,929
<b>Total support and revenue</b>	<b>2,377,608</b>	<b>1,500</b>	<b>2,379,108</b>
<b>EXPENSES</b>			
Program expenses			
Business recruitment and retention	229,680	-	229,680
Workforce Development	67,563	-	67,563
Rock31	447,744	-	447,744
Member-investor relations	692,850	-	692,850
Business financing	947,588	-	947,588
<b>Total program expenses</b>	<b>2,385,425</b>	<b>-</b>	<b>2,385,425</b>
General and administrative	474,000	-	474,000
<b>Total operating expenses</b>	<b>2,859,425</b>	<b>-</b>	<b>2,859,425</b>
Change in Net Assets	(481,817)	1,500	(480,317)
Net assets, beginning of year	3,171,630	48,263	3,219,893
<b>Net assets, end of year</b>	<b>\$ 2,689,813</b>	<b>\$ 49,763</b>	<b>\$ 2,739,576</b>

The Notes to Financial Statements are an integral part of this statement.

**BIG SKY ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2021**

	Business Recruiting	Business Development and Outreach	Workforce Development	Rock31	Member Investor	Business Finance	G&A	Total
<b>EXPENSES</b>								
Contribution Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Dues and subscriptions	4,903	7,364	-	742	7,174	26,028	1,139	47,350
Business Incubation	-	-	-	1,211	-	-	-	1,211
Business Recruitment	3,989	-	-	-	-	-	-	3,989
Bad Debt Expense	-	-	-	-	41,250	(309)	-	40,941
Salaries/Benefits	145,735	75,272	-	-	64,205	503,140	-	788,352
Contingency	-	-	-	-	-	-	4,000	4,000
Healthcare Appreciation	-	-	-	-	-	-	74,590	74,590
Insurance	1,146	592	-	-	505	3,958	10,382	16,583
Marketing	380	26,394	462	-	4,167	2,381	46,170	79,954
Membership development	-	-	-	-	4,121	-	-	4,121
Miscellaneous	3,115	2,162	(5,727)	855	13,965	24,585	9,877	48,832
Program events	-	16,826	2,484	113	-	-	-	19,423
Supplies	1,257	1,813	-	-	554	8,941	5,174	17,739
Sponsorships	178	92	3,000	3,000	6,078	615	-	12,963
Professional fees	19,838	1,105	-	-	3,192	34,007	17,559	75,701
Rent	9,604	3,476	-	-	2,965	59,034	-	75,079
Utilities	1,124	581	-	-	495	3,882	-	6,082
Telephone	4,704	2,366	-	-	2,609	16,702	-	26,381
Travel and training	6,491	1,210	-	-	1,075	10,028	100	18,904
Total expenses	<u>\$ 202,464</u>	<u>\$ 139,253</u>	<u>\$ 219</u>	<u>\$ 5,921</u>	<u>\$ 152,355</u>	<u>\$ 692,992</u>	<u>\$ 173,991</u>	<u>\$1,367,195</u>

The Notes to Financial Statements are an integral part of this statement.

**BIG SKY ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2020

	Business Recruiting	Workforce Development	Rock31	Member Investor	Business Finance	G&A	Total
<b>EXPENSES</b>							
Contribution Expense	\$ 50,377	\$ 14,819	\$ 425,001	\$153,466	\$207,838	\$ 425,000	\$1,276,501
Dues and subscriptions	4,304	31	-	10,567	23,973	2,500	41,375
Salaries and benefits	109,447	-	-	212,033	481,879	-	803,359
Bear Program	-	-	2,823	-	-	-	2,823
Business Incubation	-	-	2,519	-	-	-	2,519
Bad Debt Expense	-	-	-	30,700	21,934	-	52,634
Insurance	1,168	-	-	2,262	5,140	5,887	14,457
Marketing	11,320	19,993	10,721	118,308	819	6,329	167,490
Membership development	-	-	-	10,951	-	-	10,951
Miscellaneous	6,133	11,736	4,995	6,512	43,879	8,325	81,580
Program events	-	3,650	-	101,389	-	-	105,039
Supplies	701	34	185	1,386	6,315	5,082	13,703
Professional fees	20,327	7,550	1,500	6,647	62,392	20,870	119,286
Rent	7,473	-	-	15,362	58,657	-	81,492
Sponsorships	249	2,569	-	1,632	1,096	-	5,546
Telephone	3,563	240	-	7,162	15,578	-	26,543
Travel and training	14,618	6,941	-	14,473	18,088	7	54,127
Total expenses	<u>\$229,680</u>	<u>\$ 67,563</u>	<u>\$ 447,744</u>	<u>\$692,850</u>	<u>\$947,588</u>	<u>\$ 474,000</u>	<u>\$2,859,425</u>

The Notes to Financial Statements are an integral part of this statement.

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

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in net assets	\$130,463	(\$480,317)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in accounts receivable	22,032	(27,025)
Change in pledges receivable	(27,000)	-
Change in contributions receivable	0	44,500
Change in prepaid expenses	5,805	(3,409)
Change in accounts payable	8,918	(68,913)
Change in deferred revenue	3,862	31,875
Change in amounts due to related parties	4,883	(106,410)
Change in allowance for loan losses	(308)	21,934
Net cash flows from operating activities	<u>148,655</u>	<u>(587,765)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Financing of new notes receivable	(265,000)	(367,000)
Payments from notes receivable	280,427	372,162
Payments for purchase of fixed assets	-	(1,000,000)
Proceeds from sale of fixed assets	-	1,000,000
Net cash flows from investing activities	<u>15,427</u>	<u>5,162</u>
Net change in cash and cash equivalents	164,082	(582,603)
Cash and cash equivalents, beginning of year	1,702,901	2,285,504
Cash and cash equivalents, end of year	<u>\$ 1,866,983</u>	<u>\$ 1,702,901</u>
 Noncash investing and financing activities:		
In-kind support for purchase of fixed assets	\$ -	\$ (775,000)
In-kind contribution expense to related party on sale of fixed asset	-	775,000
Net noncash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>

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

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

**NOTE 1. ORGANIZATION AND PURPOSE**

Big Sky Economic Development Corporation (the Organization), a Montana non-profit corporation, was incorporated in 2002. The purpose of the Organization is to work closely with Big Sky Economic Development Authority (the Authority) 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. The Organization emphasizes its efforts on business recruitment, business retention, entrepreneurship, and small business finance.

The Organization has gained the designation of Certified Development Corporation from the United States Small Business Administration.

Activities of the Organization are supported by Big Sky Economic Development Authority (a related organization), loan fees generated by the SBA 504 loan programs, the State Small Business Credit Initiative, and by contributions from local businesses.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board, as applicable to non-profit organizations.

**Basis of Accounting**

The Organization reports information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated certain net assets without restrictions primarily for the following uses:

*Designated as cash reserves* – Funds available to meet cash needs as necessary. As of June 30, 2021, and 2020, the Organization had \$250,000 of Board-designated cash reserves.

*Designated as loan funds* – Funds designated for loans via its revolving loan program. As of June 30 2021, and 2020, the Organization had \$482,555 and \$490,311, respectively, of funds designated for its revolving loan fund (RLF) program.

- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. See Note 7 for additional discussion.

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets in the period in which the restrictions are satisfied.

**Contributions**

Contributions received are recorded as restricted or unrestricted, depending on the nature of any existing donor restrictions. Contributions from local businesses are recorded only when a written pledge is received from the donor or when the contribution is received.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

**Use of Estimates**

The preparation of 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 reporting period. Actual results could differ from those estimates.

**Tax Exempt Status**

The Organization is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3).

**Allocation of Functional Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated based on estimates of time and effort. General operating expenses and occupancy expenses are allocated based on full-time equivalents.

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash deposits at various financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for deposits up to \$250,000. From time to time, certain bank accounts that are subject to limited FDIC coverage may exceed their insured limits. As of June 30, 2021, and 2020, the Organization's deposits exceeded the insured limits by \$1,420,638 and \$1,355,077, respectively.

**Accounts Receivable**

Accounts receivable consist of amounts due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days old are considered delinquent. These balances are stated at face value. Management regularly reviews collectability of all receivables. Receivables are written off once management determines that all collection efforts have been exhausted. While the organization maintains an allowance for doubtful accounts for the loan portfolio, the organization does not maintain an allowance for doubtful accounts associated with accounts receivable as management considers all accounts to be fully collectible.

**Pledges Receivable**

Pledges receivable are recorded, and revenue is recognized at the time unconditional promises to give are made. These balances are stated at their present value and are due according to the terms of the related pledge agreement. Management considers all pledges to be fully collectible, therefore, no allowance for doubtful accounts is presented. Pledges receivable was \$27,000 and \$0 at June 30, 2021 and 2020, respectively.

**Notes Receivable**

Notes receivable consist of amounts due from businesses participating in the Organization's revolving loan program, the State Small Business Credit Initiative (SSBCI) loan program, and stabilization loan program. The terms of each note, including payment schedules and interest rates, are detailed in the corresponding agreement. Each note is in good standing if the obligor is remitting payments based on the contractual payment schedule. Otherwise, they are in default. Notes receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on notes receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of businesses to meet their obligations for repayment.

Notes receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected. Customers with payments outstanding 30 days past their scheduled date are



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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

considered delinquent. An allowance has been established for potential uncollectible loans. As of June 30, 2021, and 2020, the allowance totaled \$21,626 and \$21,934, respectively. Interest on notes receivable is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. Notes receivable in default status do not accrue interest.

**In-kind Support from Related Party**

In-kind support from related party includes donated materials, facilities, and services from the Authority and are recorded as support at their estimated market value at the date of donation.

**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 assets or changes in net assets.

**Revenue Recognition**

The Organization's significant revenue sources are contributions revenue and loan fees. Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Contributions revenue is comprised of private donor support funding, member investor support revenue, and in-kind support revenue from both related and unrelated party transactions. Contributions of assets other than cash are recorded at their estimated fair value at date of receipt. It is the policy of the Organization to report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets, with explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service. Refer to Notes 8 and 9 regarding in-kind donations from related and unrelated party transactions. Loan fee revenue includes loan servicing income, loan origination income, and interest income. Loan fee revenues are generated from notes receivable under the revolving loan fund (RLF), State Small Business Credit Initiative (SSBCI) loan program, and stabilization loan programs. Loan servicing income and loan origination income are recognized at the date of the note receivable agreement. Interest income is recognized ratably over the life of the note receivable.

**Subsequent Events**

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

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

**NOTE 3. NOTES RECEIVABLE**

Notes receivable consist of the following as of June 30, 2021 and 2020:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
<u>2021:</u>			
Revolving loan program	58,761	\$ 307,760	\$ 366,521
SSBCI loan Program	31,058	588,055	619,113
Stabilization loan program	<u>43,631</u>	<u>52,018</u>	<u>95,649</u>
	<u>\$ 133,450</u>	<u>\$ 947,833</u>	<u>\$ 1,081,283</u>
 <u>2020:</u>			
Revolving loan program	\$ 32,036	\$ 278,314	\$ 310,350
SSBCI loan program	47,744	601,614	649,358
Stabilization loan program	<u>31,849</u>	<u>105,151</u>	<u>137,000</u>
	<u>\$ 111,629</u>	<u>\$ 985,079</u>	<u>\$ 1,096,708</u>

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

**NOTE 3. NOTES RECEIVABLE (CONTINUED)**

**Revolving Loan Program**

The Organization has established a revolving loan fund to provide low-interest loans to small businesses for start-up or expansion. The following is a summary of notes receivable as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Loan #1		
Matures 8/1/2023, Interest Rate 6.50%	\$81,480	\$87,635
Loan #2		
Matures 08/01/2024, Interest Rate 6.50%	90,154	95,775
Loan #3		
Matures 05/01/2022, Interest Rate 6.50%	16,032	28,972
Loan #4		
Matures 02/01/2025, Interest Rate 6.50%	90,524	97,968
Loan #5		
Matures 08/01/2025, Interest Rate 6.00%	88,331	-
Total notes receivable	<u>366,521</u>	<u>310,350</u>
Less current portion	<u>(58,761)</u>	<u>(32,036)</u>
Non-current portion	<u>\$307,760</u>	<u>\$278,314</u>

The annual note receivable requirements to maturity, as of June 30, 2021, for the revolving loan fund are as follows:

<u>Year Ending</u>	<u>Loan #1</u>	<u>Loan #2</u>	<u>Loan #3</u>	<u>Loan #4</u>	<u>Loan #5</u>	<u>Total</u>
2022	\$ 8,514	\$ 7,920	\$ 16,032	\$ 7,895	\$ 18,400	\$ 58,761
2023	9,413	8,822	-	8,541	19,731	46,507
2024	63,553	9,413	-	9,113	20,948	103,027
2025	-	63,999	-	64,975	22,240	151,214
2026	-	-	-	-	7,013	7,013
Thereafter	-	-	-	-	-	-
Total Principal	<u>81,480</u>	<u>90,154</u>	<u>16,032</u>	<u>90,524</u>	<u>88,331</u>	<u>366,521</u>
Less Current Portion	<u>(8,514)</u>	<u>(7,920)</u>	<u>(16,032)</u>	<u>(7,895)</u>	<u>(18,400)</u>	<u>(58,761)</u>
Long-term Portion	<u>\$ 72,966</u>	<u>\$82,234</u>	<u>\$0</u>	<u>\$82,629</u>	<u>\$69,931</u>	<u>\$ 307,760</u>

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

**NOTE 3. NOTES RECEIVABLE (CONTINUED)**

**State Small Business Credit Initiative Loan Program**

During 2012, the Organization partnered with local banks to lend funds to local businesses from funds obtained by the Organization through the State Small Business Credit Initiative. The following is a summary of notes receivable as of June 30, 2021 and 2020, related to the State Small Business Credit Initiative funds:

	<u>2021</u>	<u>2020</u>
<u>Loan #1</u>		
Matures 11/07/2022, Interest Rate 1.31%	\$ -	\$ 21,603
<u>Loan #2</u>		
Matures 12/03/2027, Interest Rate 1.89%	-	150,409
<u>Loan #3</u>		
Matures 4/1/2035, Interest Rate 3.62%	388,699	390,124
<u>Loan #4</u>		
Matures 10/17/2037, Interest Rate 2.38%	82,187	87,222
<u>Loan #5</u>		
Matures 02/10/2041, Interest Rate 2.15%	148,227	-
Total notes receivable	619,113	649,358
Less current portion	(31,058)	(47,744)
Non-current portion	<u>\$588,055</u>	<u>\$601,614</u>

The annual note receivable requirements to maturity as of June 30, 2021, for the State Small Business Credit Initiative funds are as follows:

<u>Year Ending</u>	<u>Loan #3</u>	<u>Loan #4</u>	<u>Loan #5</u>	<u>Total</u>
2022	\$ 20,063	\$ 5,178	\$ 5,816	\$ 25,242
2023	20,724	6,095	5,972	26,819
2024	21,594	6,414	6,123	28,008
2025	22,501	6,752	6,297	29,253
2026	23,445	7,095	6,466	30,540
Thereafter	280,372	50,653	117,553	331,025
Total Principal	388,699	82,187	148,227	619,113
Less Current Portion	(20,063)	(5,178)	(5,816)	(31,058)
Long-term Portion	<u>\$368,636</u>	<u>\$77,009</u>	<u>\$142,411</u>	<u>\$588,055</u>

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
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**NOTE 3. NOTES RECEIVABLE (CONTINUED)**

**Stabilization Loan Program**

During 2020, the organization established a stabilization loan program (loans up to \$15,000) to help small business weather the COVID-19 storm. The following is a summary of notes receivable as of June 30, 2021 and 2020 related to the stabilization loan funds:

	<u>2021</u>	<u>2020</u>
Loan #1		
Matures 05/21/2023, Interest Rate 2%	\$0	\$15,000
Loan #2		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #3		
Matures 04/01/2023, Interest Rate 2%	-	15,000
Loan #4		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #5		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #6		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #7		
Matures 05/01/2023, Interest Rate 2%	13,043	15,000
Loan #8		
Matures 05/01/2023, Interest Rate 2%	4,348	5,000
Loan #9		
Matures 05/01/2023, Interest Rate 2%	-	12,000
Loan #10		
Matures 06/01/2023, Interest Rate 2%	13,043	15,000
Loan #11		
Matures 08/01/2023, Interest Rate 2%	13,043	-
Total notes receivable	95,649	137,000
Less current portion	(43,631)	(31,849)
Non-current portion	<u>\$52,018</u>	<u>\$105,151</u>

The annual note receivable requirements to maturity as of June 30, 2021, for the stabilization loan funds are as follows:

<u>Year Ending</u>	<u>Loan #2</u>	<u>Loan #4</u>	<u>Loan #5</u>	<u>Loan #6</u>	<u>Loan #7</u>	<u>Loan #8</u>	<u>Loan #10</u>	<u>Loan #11</u>	<u>Total</u>
2021	\$5,950	\$5,950	\$5,950	\$5,950	\$5,950	\$1,983	\$5,950	\$5,950	\$43,631
2022	6,070	6,070	6,070	6,070	6,070	2,023	6,070	6,070	44,512
2023	1,023	1,023	1,023	1,023	1,023	341	1,023	1,023	7,506
Total Principal	13,043	13,043	13,043	13,043	13,043	4,348	13,043	13,043	95,649
Less Current Portion	(5,950)	(5,950)	(5,950)	(5,950)	(5,950)	(1,983)	(5,950)	(5,950)	(43,631)
Long-term Portion	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$2,364</u>	<u>\$7,093</u>	<u>\$7,093</u>	<u>\$ 52,018</u>

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3. NOTES RECEIVABLE (CONTINUED)**

Interest income for the RLF, SSBCI, and stabilization programs for the years ended June 30, 2021 and 2020, amounted to \$41,453 and \$38,290, respectively.

*Credit Quality Indicators*

All loans undergo multiple underwriting processes. They are analyzed based on credit worthiness, longevity, and collateral. Loans in the revolving loan fund are deemed riskier, as they include little to no collateral. These loans have been underwritten by a bank, but the bank has passed on the loan. As such, they are deemed riskier and categorized as “watch” loans. Loans issued under the SSBCI program are underwritten by a bank and are split in a 50% participation with the corresponding bank. These loans are considered quality credits and are categorized as “pass” loans. All loans are categorized at inception and monitored during the repayment period, as needed.

*Loan Loss Reserve*

Management established a loan loss reserve as of June 30, 2020. The reserve is equal to 2% of the RLF, SSBCI, and stabilization loan portfolios. The allowance for the years ended June 30, 2021 and 2020, totaled \$21,626 and \$21,934, respectively. Management continues to monitor each loan account on an ongoing basis for potential upcoming risks related to declining credit conditions.

**NOTE 4. SMALL BUSINESS ADMINISTRATION LOAN PROGRAM**

The Organization has been approved as a Certified Development Company (CDC) by the Small Business Administration (SBA). As a CDC, the Organization works with the SBA and private-sector lenders to provide financing to small businesses. The SBA’s CDC/504 loan program is a long-term financing tool for economic development within a community. This program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The Organization initiates and administers these loans, collecting loan origination and loan servicing fees.

**NOTE 5. STATE SMALL BUSINESS CREDIT INITIATIVE LOAN PROGRAM AND GRANT**

During 2012, the Organization received a State Small Business Credit Initiative Grant (SSBCI). Under this program, the Organization received grant funds from the State of Montana from which to provide loans to small businesses, with participation from local financial institutions. All SSBCI funds were required to be segregated into a separate restricted account, including all funds received from loan repayments received from small businesses. The grant was restricted specifically for this program and the related net assets were restricted until March 31, 2017.

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
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June 30, 2021 and 2020

**NOTE 5. STATE SMALL BUSINESS CREDIT INITIATIVE LOAN PROGRAM AND GRANT (CONTINUED)**

In April 2017, the State of Montana SSBCI Loan Committee determined that the Organization had satisfied all the program requirements and released restrictions on 98% of the funds granted. The Organization remitted the remaining 2% to the State Tribal Economic Development Commission.

**NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization's financial assets within one year of the balance sheet dates for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Total assets at June 30, 2021	\$2,995,262	\$2,847,135
Less:		
Prepaid expenses and non-current assets	928,678	971,421
Financial assets available for expenditures	2,066,584	1,875,714
Less:		
Donor-imposed restrictions	134,303	49,763
Board Designations:		
Liquidity reserves	250,000	250,000
Revolving loan funds	482,555	490,311
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,199,726</u>	<u>\$1,085,640</u>

The Organization has a liquidity management policy to insure the availability of funds to meet its obligations as they become due. In addition to continual monitoring of budgeted revenues and expenses, the Organization had \$1,839,537 and \$1,791,925 in assets from its SSBCI loan program (see Note 5) held as cash or loans at June 30, 2021 and 2020, respectively, that are not restricted by donor stipulation or designated by Board resolution.

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

**NOTE 7. NET ASSETS**

Net assets with donor purpose restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Private Donor Funding		
Billings Public Schools	\$15,000	\$15,000
BillingsNow (community visioning)	9,063	9,063
Rock31	500	3,500
Opportunity Fund	22,200	22,200
Coulson Park	51,500	-
Big Sky to Sky Point	36,040	-
	<u>\$134,303</u>	<u>\$49,763</u>

Net assets without donor restrictions consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$2,003,181	\$1,949,502
Board-designated for cash reserves	250,000	250,000
Board-designated as loan funds	482,555	490,311
	<u>\$2,735,736</u>	<u>\$2,689,813</u>

Net assets of \$8,000 and \$12,500 were released from restrictions in 2021 and 2020, respectively, by incurring expenses satisfying the restricted purposes specified by donors.

**NOTE 8. RELATED PARTY TRANSACTIONS**

**In-Kind Donations**

The Organization's employees are paid by the Authority, a related organization. A portion of these wages are considered an in-kind contribution from the Authority. The remainder is reimbursed by the Organization. For the years ended June 30, 2021 and 2020, the Organization paid \$570,051 and \$571,305, respectively, to the Authority for salaries and wages, insurance, and rent, of which \$62,431 and \$57,548 was reported as due to a related party in the accompanying statements of financial position of June 30, 2021 and 2020, respectively.



BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
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**NOTE 8. RELATED PARTY TRANSACTIONS (Continued)**

The Organization was the recipient of donated in-kind wages, facilities, and services from the Authority for the years ended June 30, 2021 and 2020. In-kind support for each fiscal year was comprised of the following:

	<u>2021</u>	<u>2020</u>
Salaries and wages	\$208,225	\$211,579
Employer contributions	51,149	57,117
Insurance	3,259	5,008
Professional fees	11,569	20,923
Dues and subscriptions	16,578	18,690
Miscellaneous	12,594	5,379
Marketing	2,056	62,257
Travel	1,918	5,993
Sponsorships	963	1,827
Telephone	8,859	9,411
Rent	24,259	22,493
Office expense	6,799	5,142
Other		-
	<u>\$348,228</u>	<u>\$425,819</u>

In February 2020, the Organization purchased the historic Montana National Bank building in downtown Billings. The building was recorded at estimated fair value at date of receipt based on the appraised value of the building. The building was purchased at a discount for \$1,000,000 with an in-kind donation from the seller (an unrelated party) of \$600,000, for a total fair value of \$1,600,000. Following purchase, the Organization transferred the building and land to Big Sky EDA, providing a cash contribution of \$500,000 and an in-kind donation of \$600,000 for the transfer.

In fiscal year 2021, Big Sky EDC received notice that seller obtained an updated appraisal upon the sale of the building. The updated appraisal reflected a value of \$1,775,000. The seller recognized a donation amount of \$775,000 for the sale of the historic Montana National Bank building to Big Sky EDC. The fiscal year 2020 financials were updated to reflect this additional in-kind donation from the seller, for a total in-kind donation of \$775,000 versus \$600,000 originally recorded in fiscal year 2020.

In fiscal year 2021, an EDC board member pledged \$27,000 for the purchase of office equipment for the new facility. This furniture will be purchased in fiscal year 2022. In addition, payments of \$38,495 and \$34,618 were made in FY21 and FY20, respectively, to a marketing company owned by an EDC board member.

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

**NOTE 9. OPERATING LEASE**

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 coworking space geared toward entrepreneurs within the Rock 31 program, create a large training/conference space, as well as house the other organizational programs for both Big Sky EDC and Big Sky EDA. The Organization occupies office space in Helena, Montana. Rent expense under this lease for the year ended June 30, 2021 amounted to \$29,454. Future minimum lease payments for the rent under this lease are \$14,826 for fiscal year 2022.

**NOTE 10. PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2021, the Organization 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 8, 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 Organization 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 <u>Adjustment</u>	As Restated <u>June 30, 2020</u>
Statement of Activities			
In-kind support from unrelated party	\$ 600,000	\$ 175,000	\$ 775,000
Contribution Expense	1,101,500	175,000	1,276,500
Statement of Cash Flows			
In-kind support for purchase of fixed assets	(600,000)	(175,000)	(775,000)
In-kind contribution expense to related party on sale of fixed asset	600,000	175,000	775,000

BIG SKY ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11. FEDERAL EDA REVOLVING LOAN FUND GRANT**

In 2021, the Organization received a \$1,800,000 Federal EDA Revolving Loan Fund Grant (RLF). This EDA investment supports the Big Sky EDC with establishing an RLF to support economic recovery from the COVID-19 pandemic in the eastern Montana region of Yellowstone County. The RLF will provide financing options and gap financing to small businesses impacted by the pandemic and support the development of new entrepreneurial business opportunities arising from, or related to, recovery or future resiliency.

The total project cost is \$2,000,000 and includes \$1,800,000 in Federal EDA investment and a \$200,000 investment from Big Sky EDC. All RLF funds are to be segregated into a separate restricted account, including all funds received from loan repayments. Big Sky EDC satisfied all requirements to begin making loans from the RLF beginning in fiscal year 2022.



**To:** The EDA and EDC Board of Directors  
**From:** The Office Furniture RFP Selection Committee  
**Date:** December 15, 2021  
**Re:** Recommendation for RFP Selection and Next Steps

The Furniture RFP Selection Committee, comprised of Jen Kobza, Debbie Dejarlais, Steve Arveschoug, Shanna Zier, Kevin Scharfe, Marcell Bruski, Tyler Price, and Becky Rogers has thoroughly evaluated the proposals received in response to the Request for Proposals for Office Furniture released on November 11, 2021.

The Committee reviewed proposals submitted by 360 Office Solutions and Peterson Quality Office and conducted an in-person visit to each location for a hands-on look and feel test of proposed products. Proposals were scored according to the following criteria:

- Ability to meet functionality goals
- Ability to match "look and feel" concepts
- Total Price
- Ability to hold pricing for 60 days
- Deliver/Storage/Install Schedule
- Warranty
- Experience with providing similar products for similar projects
- Points for Member Investor Status
- Points for being located in Yellowstone County
- On-site interview outcomes

After careful consideration, the Selection Committee is recommending the Board of Directors close the RFP and proceed with Peterson Quality Office as the selected vendor.

Immediate, additional work is needed to bring the proposed furniture package into alignment with the budget. As such, the Committee recommends moving forward with the selected vendor contingent on the ability to order a furniture package that delivers the vision of the project and aligns with budget.

The goal is to expedite the submission of the furniture package before the end of the year, so we will provide the updated outcome to the Board at the January meeting.