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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 <u>optional</u>. 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

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.

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.