RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313

AUDITED FINANCIAL STATEMENTS

June 30, 2023 and 2022

AMATICS
CPA GROUP

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
CONTENTS

ORGANIZATION - BOARD OF DIRECTORS AND OFFICIALS
Years ended June 30, 2023 and 2022

BOARD OF DIRECTORS

2023

Perry Hofferber, President
Rich McLane, Board Member
Nikki Penniman, Board Member
Andrew Williamson, Board Member
Robert Ingram, Board Member

2022

Rhonda Newman, President (partial year)
McKenzie Burns, President (partial year)
Nikki Penniman, Board Member
Perry Hofferber, Board Member
Rich McLane, Board Member
Andrew Williamson, Board Member

DISTRICT MANAGER

2023

Ken Ridgway

2022

David King

INDEPENDENT AUDITORS' REPORT

Board of Directors
RAE Subdivision County Water and Sewer District No. 313
Bozeman, MT

We have audited the accompanying financial statements of RAE Subdivision County Water and Sewer District No. 313 ("the District") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RAE Subdivision County Water and Sewer District No. 313 as of June 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RAE Subdivision County Water and Sewer District No. 313 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RAE Subdivision County Water and Sewer District No. 313's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly there after.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RAE Subdivision County Water and Sewer District No. 313's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RAE Subdivision County Water and Sewer District No. 313's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Schedule of Proportionate Share of the Net Pension Liability - PERS and Schedule of Contributions - PERS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with the *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Amatics CPA Group

Bozeman, Montana
October 31, 2023

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
STATEMENTS OF NET POSITION
June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 3,688,166	$ 3,604,225
Accounts receivable	78,387	77,127
Total current assets	3,766,553	3,681,352
CAPITAL ASSETS		
Construction in progress	950,529	759,404
Water and sewer system infrastructure	14,382,823	14,350,671
Land, buildings and improvements	941,098	941,098
Vehicles	145,675	104,753
Office equipment, furniture, and tools	91,409	91,409
	16,511,534	16,247,335
Less: accumulated depreciation	(5,994,134)	(5,556,232)
Total capital assets	10,517,400	10,691,103
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	92,785	108,153
Total assets and deferred outflows of resources	$ 14,376,738	$ 14,480,608

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 98,200	$ 218,668
Accrued payroll expenses and benefits	45,449	43,307
Revenue bonds, current	80,594	90,000
Total current liabilities	224,243	351,975
LONG-TERM LIABILITIES		
Compensated absences payable	41,419	63,897
Revenue bonds, noncurrent	1,662,000	2,142,594
Net pension liability	444,051	317,984
Total long-term liabilities	2,147,470	2,524,475
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	32,509	131,121
NET POSITION		
Net investment in capital assets	8,774,806	8,458,509
Unrestricted	3,197,710	3,014,528
Total net position	11,972,516	11,473,037
Total liabilities, deferred inflows of resources, and net position	$ 14,376,738	$ 14,480,608

See the accompanying independent auditors' report.

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended June 30	
	2023	**2022**
OPERATING REVENUES		
Water and sewer revenue	$ 902,747	$ 842,545
OPERATING EXPENSES		
Advertising	$ 2,529	$ -
Bank fees	258	137
Contractors	120,681	97,848
Depreciation	437,902	398,797
Dues and subscriptions	1,190	686
Fuel	4,020	1,899
Insurance	51,079	59,783
Lab fees	12,638	10,433
Maintenance, repairs and supplies	92,804	71,890
Mileage	711	86
Office supplies and postage	5,829	5,088
Payroll taxes	25,221	33,697
Permits and fees	19,564	19,520
Professional fees	23,621	28,987
Retirement plan contributions	73,339	40,135
Salaries and wages	324,354	306,232
Telephone	5,886	7,121
Training	6,242	4,874
Utilities	93,814	86,386
Total operating expenses	1,301,682	1,173,599
Operating loss	(398,935)	(331,054)
NON-OPERATING REVENUE (EXPENSES)		
Grant income	415,000	-
System investment fee	454,896	383,105
State on-behalf payment	336	295
Interest income	64,260	4,059
Interest expense	(36,078)	(33,672)
Total non-operating revenues (expenses)	898,414	353,787
Income before contributions	499,479	22,733
Capital contributions	-	871,000
CHANGE IN NET POSITION	499,479	893,733
NET POSITION, beginning of year, as previously presented	11,473,037	9,974,404
Prior period adjustment	-	604,900
NET POSITION, beginning of year, as restated	11,473,037	10,579,304
NET POSITION, end of year	$ 11,972,516	$ 11,473,037

See the accompanying independent auditors' report.

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 901,488	$ 856,051
Payments to suppliers and vendors	(561,334)	(374,110)
Payments to employees and benefits	(400,191)	(352,642)
Net cash provided (used) by operating activities	(60,037)	129,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest expense	(36,078)	(33,672)
Interest earnings	64,260	4,059
Net cash provided (used) by investing activities	28,182	(29,613)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
System investment fees	454,896	383,105
Grant receipts	415,000	-
Principal payments on debt	(490,000)	(88,000)
Proceeds from long term debt	-	225,170
Purchases of capital assets	(264,099)	(383,375)
Net cash provided by capital and related financing activities	115,797	136,900
NET CHANGE IN CASH AND CASH EQUIVALENTS	83,942	236,586
Cash and cash equivalents at beginning of year	3,604,225	3,367,639
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,688,167	$ 3,604,225

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (398,935)	$ (331,054)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	437,902	398,797
(Increase) decrease in current assets		
Receivables	(1,260)	13,507
Increase (decrease) in current liabilities		
Accounts payable	(120,468)	20,626
Payroll liabilities and pension accounts	22,723	27,423
Net cash provided (used) by operating activities	$ (60,037)	$ 129,299

See the accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The RAE Subdivision County Water and Sewer District No. 313 ("the District") is a political subdivision of Gallatin County and the State of Montana that provides water and sewer service to the residents and property owners of the District. The District was created and its boundaries defined pursuant to Montana Code Annotated, Title 7, Chapter 13, Parts 22 and 23, MCA. The District was incorporated on October 3, 1977. The District is supervised by a Board of Directors elected by the district property owners and sewer customers. The District is fiscally independent in that no other entity has the authority to approve or modify the District's budget. The District is legally separate in that it is able to buy, sell or lease property in its own name.

Revenue Bonds and Taxing Authority

The District sold Water and Sewer System Revenue Refunding Bonds, Series 1993, in the year 1993. Original issue was $485,000. The Series 1993 Bonds were issued to immediately refund the outstanding Series 1979 Bonds, which had been issued to finance the acquisition of an existing water and sewer facility serving the District and the acquisition and construction of certain improvements to, and the expansion of, the facility. The Series 1993 were redeemed on December 28, 2002 with the issuance of the Water and Sewer Refunding Revenue Bonds, Series 2002. In addition System Revenue Bonds, have been subsequently issued to assist in financing construction of the water and waste water system.

The Bonds are special, limited obligations of the District and are payable solely from the net revenues of the system. To the extent such net revenues are insufficient; the District is authorized to collect a “district bond tax”.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary type funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The District applies all GASB Pronouncements and all FASB Statements and Interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB Pronouncement.

Financial Statement Presentation

The District's financial statements are presented in accordance with requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.* Under GASB Statements No. 34, the District is required to present a statement of net position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method. It requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District maintains the majority of its cash and cash equivalents in one financial institution.

Concentration of Credit Risk for Cash Deposits at Banks

Financial instruments that potentially subject the District to concentrations of credit risk consist primarily of cash deposits and money market funds. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or Stifel, Nicolaus & Company, Incorporated's security coverage, depending on the type of account. As of June 30, 2023 and 2022, cash and cash equivalents of the District were all fully insured.

Accounts Receivable

Accounts receivable consist primarily of fees receivable. The District considers these receivables to be fully collectible. Bad debts, if any, are written off using the direct write off method. The use of this method does not result in a material difference from the allowance method required by accounting principles generally accepted in the United States of America. There were no credit losses in fiscal years 2023 or 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Supplies inventory is expensed as incurred.

Capital Assets

Property and equipment are recorded at cost. Major additions and construction in progress over $5,000 are capitalized while minor replacement and repairs that do not increase the useful life of the property are expensed as incurred. There is no depreciation on construction in progress until the construction is completed.

Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Water Mains, Sanitary Sewers, Lift Station:	40 years
Wells, Pumps, Tanks	7 to 20 years
Storage Buildings:	15 years
Equipment and Tools:	7 years
Office Equipment:	5 to 10 years
Wastewater System:	30 years

Revenue and Expenditures

The District distinguishes operating revenues and expenditures from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a utility’s principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenditures for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenditures not meeting this definition are reported as non-operating revenues and expenditures.

Compensated Absences

The District's policy allows employees to accumulate a limited amount of earned but unused vacation benefits and sick leave which will be paid to employees upon separation from District service. Accumulated vacation and the eligible portion of sick leave to be paid to employees are recorded as an expense and liability as the benefits are earned.

Capital Contributions

Capital contributions are treated as non-exchange transactions under GASB Statement No. 33 and are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. They include system development fees, developer contributed capital assets, capital grants and any other supplemental contributions from customers, federal, state and local governments in support of system improvements. Capital contributions for the years ended June 30, 2023 and 2022 were $0 and $871,000, respectively.

Income Taxes

No income tax provision has been included in the financial statements, since the District is a governmental organization and is not subject to federal or state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plans

Montana Public Employee Retirement Administration (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, 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).

Deferred Outflow of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as consumptions of net position by the District that are applicable to a future reporting period and therefore are not recognized as outflows of resources (expenditures) until that time. Deferred outflows of resources in the District's financial statements represent pension contributions which are deferred and recognized as outflows of resources in the periods that the amounts are recognized by the pension plan.

Deferred inflows of resources are defined as acquisitions of net position by the District that are applicable to a future reporting period and therefore are not recognized as inflows of resources (revenues) until that time. Deferred inflows of resources in the District's financial statements represent differences between projected and actual investment returns on the funds invested in the Montana Public Employee Retirement System. These amounts are deferred and recognized as inflows of resources in the periods that the amounts become available.

Date of Management Review

Management has performed a review of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2023. Management has performed this analysis through October 31, 2023, the date the financial statements were available to be issued.

Subsequent Events

In September 2023, the District received $350,000 in American Rescue Plan Act (ARPA) funding through Gallatin County for costs associated with Falcon Hollow Well #2. The District expects to receive an additional $50,000 in funding, in fiscal year 2024.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The objective of this statement is to improve accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources 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 standard, 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. As of June 30, 2023 and 2022, the District did not have any contracts that met the definition of a lease.

During the year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement was issued to provide additional guidance for recognition of contracts that allow entities to use information technology (IT) assets owned by third-party vendors in exchange for a series of payments. Similar to the guidance for leases, some contracts create a long-term commitment, while others are short-term operating agreements. As of June 30, 2023, the District did not have any contracts that met the definition of a subscription-based IT arrangement.

2. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Balance, June 30, 2021	Additions	Deletions	Balance, June 30, 2022	Due within one year
Special Assessment Bond, Series 2020B	$ 1,695,424	$ 225,170	$ (88,000)	$ 1,832,594	$ 90,000
Special Assessment Bond, Series 2020A	400,000	-	-	400,000	-
	$ 2,095,424	$ 225,170	$ (88,000)	$ 2,232,594	$ 90,000

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Balance, June 30, 2022	Additions	Deletions	Balance, June 30, 2023	Due within one year
Special Assessment Bond, Series 2020B	$ 1,832,594	$ -	$ (90,000)	$ 1,742,594	$ 80,594
Special Assessment Bond, Series 2020A	400,000	-	(400,000)	-	-
	$ 2,232,594	$ -	$ (490,000)	$ 1,742,594	$ 80,594

2. LONG-TERM DEBT (Continued)

Long-term debt obligations consist of the following at June 30, 2023 and 2022:

	2023	2022
Obligation to the State of Montana, forgivable loan as determined by obligor, if not forgiven, requires monthly payments beginning on first payment date following noncompliance statement and maturing July 1, 2040, including interest at 2.50%. The loan is secured by the special assessments against all taxable properties in the District. This loan was forgiven fully in fiscal year 2023.	$ -	$ 400,000
Obligation to the State of Montana, requires estimated semi-annual payments of principal and interest at 2.50%, matures July 1, 2040. The loan is secured by the special assessments against all taxable properties in the District.	1,742,594	1,832,594
	1,742,594	2,232,594
Less current portion	80,594	90,000
	$ 1,662,000	$ 2,142,594

The required annual payments for debt are as follows:

	Principal	Interest	Total
Year ending June 30,			
2024	$ 80,594	$ 34,446	$ 115,040
2025	83,000	32,830	115,830
2026	85,000	31,160	116,160
2027	87,000	29,450	116,450
2028	89,000	27,700	116,700
2029 to 2033	478,000	110,760	588,760
2034 to 2038	540,000	135,840	675,840
2039 to 2041	300,000	7,870	307,870
	$ 1,742,594	$ 410,056	$ 2,152,650

Interest expense during the years ended June 30, 2023 and 2022 was $36,078 and $33,672, respectively.

3. INVESTMENTS

The District voluntarily participates in the STIP (Short Term Investment Pool) administered by the Montana Board of Investments (MBOI). A local government's ownership is represented by shares, the prices of which are fixed at $1.00 per share, and participants may buy or sell shares with one business day's notice. STIP administrative expenses are charged daily against the STIP income, which is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares. STIP is not registered with the Securities and Exchange Commission. STIP is not FDIC insured or otherwise insured or guaranteed by the federal government, the State of Montana, the Montana Board of Investments or any other entity against investment losses and there is no guaranteed rate of return on funds invested in STIP shares. The Montana Board of Investments maintains a reserve fund to offset possible losses and limit fluctuations in STIP's valuation. The STIP investment portfolio consists of securities with maximum maturity of 2 years. Information on investments held in the STIP can be found in the Annual Report on the Montana Board of Investments website at http://investment.com/AnnualReportAudits. Investments in the STIP reported in cash and cash equivalents totaled $1,041,385 and $1,003,586 for the years ended June 30, 2023 and 2022, respectively.

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2023 and 2022:

	Balance June 30, 2022	Additions	Transfers	Balance June 30, 2023
Construction in progress	$ 759,404	$ 204,464	$ (13,339)	$ 950,529
Water/sewer system infrastructure	14,350,671	18,813	13,339	14,382,823
Land, building, and improvements	941,098	-	-	941,098
Vehicles	104,753	40,922	-	145,675
Office equipment and furniture	91,409	-	-	91,409
	16,247,335	264,199	-	16,511,534
Less: accumulated depreciation	(5,556,232)	(437,902)	-	(5,994,134)
	$ 10,691,103	$ (173,703)	$ -	$ 10,517,400

	Balance June 30, 2021	Additions	Transfers	Balance June 30, 2022
Construction in progress	$ 2,994,082	$ 368,545	$ (2,603,223)	$ 759,404
Water/sewer system infrastructure*	10,861,718	885,730	2,603,223	14,350,671
Land, building, and improvements	941,098	-	-	941,098
Vehicles	104,753	-	-	104,753
Office equipment and furniture	91,409	-	-	91,409
	14,993,060	1,254,275	-	16,247,335
Less: accumulated depreciation	(5,157,435)	(398,797)	-	(5,556,232)
	$ 9,835,625	$ 855,478	$ -	$ 10,691,103

* June 30, 2021 balance has been restated, see note 10.

4. CAPITAL ASSETS

Depreciation expense for the years ended June 30, 2023 and 2022 was $437,902 and $398,797, respectively.

Construction in progress at June 30, 2023 relates to Falcon Hollow Well #2, which was completed and placed in service in July 2023. Additional costs to complete the project were not significant. In fiscal year 2024, the District received ARPA funding for some of these costs (see Note 1).

5. COMPENSATION OF BOARD MEMBERS

Montana Code Annotated 7-13-2273 states that board members of a district shall be compensated for their services. For years ended June 30, 2023 and 2022, total compensation paid to board members was $8,378 and $7,522, respectively.

6. RISK MANAGEMENT

The District faces a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation; i.e. employee injuries; and (f) medical insurance costs of employees. These risks are covered by commercial insurance purchased from independent third parties. Contingent liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liability accrual was required for the years ended June 30, 2023 and 2022.

7. WATER AND SEWER SERVICE AGREEMENT

The District has entered into water and sewer agreements with developers to provide extended water and sewer main connections. In consideration of the District's commitment to provide service, each developer is charged a system investment fee based on the number of dwellings. The system investment fee is payable over a period of years as units are sold and added to the system. However, one-third of the total system investment fee is due upon the execution of the agreement. The following are system investment fees recognized during the years ended June 30, 2023 and 2022.

	2023	2022
Falcon Hollow Subdivision	$ 296,701	$ -
Woodland Park Subdivision	158,195	383,105
	$ 454,896	$ 383,105

8. HEALTH REIMBURSEMENT ARRANGEMENT

Effective January 1, 2018, the District adopted a Health Reimbursement Arrangement (HRA), available to covered employees (working half-time or greater). Each covered employee receives an HRA benefit of $300 per month, plus an additional benefit of $100 per month for each family member or dependent, up to a maximum of $833 per month. These benefits will be adjusted for cost-of-living increases each year. The District holds this amount in an account and the employee turns in receipts for reimbursement. The HRA accumulates and any unused amounts can be used by the covered employee in future years. If the employee leaves employment with the District, the accumulated benefit will be paid to the employee as a taxable benefit. The HRA is comprehensive and allows for reimbursement of qualified medical expenses outlined in IRS Publication 502, including deductibles, co-pays, premiums, vision, dental, and other medical expenses.

Effective July 1, 2023, the District changed the HRA policy to increase the benefit to $1,000 per month per full time employee and to limit the rollover to future years to 25% of the accumulated balance.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM

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 associated with pensions. The following information for reporting as of June 30, 2023, is based on a June 30, 2022 measurement date.

Plan Description

The PERS-Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, 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). Members rights are vested after five years of service.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

Service retirement:

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

Early retirement:

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

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

1. Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retire 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.

2. 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.
3. 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.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

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.

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

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

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

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as a special funding for state agencies and universities but are reported as employer contributions.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

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

	Member		State &				
Fiscal	Hired	Hired	University	Local Governments		School Districts	
Year	< 7/1/11	> 7/1/11	Employer	Employer	State	Employer	State
2023	7.900%	7.900%	9.070%	8.970%	0.100%	8.700%	0.370%
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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:
   - ♦ 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 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
   - ♦ Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   - ♦ The portion of employer contributions allocated to the 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
   - ♦ Special Funding
     - ⇒ The State contributes 0.1% of members' compensation on behalf of local government entities.
     - ⇒ The State contributes 0.37% of members' compensation on behalf of school district entities.
     - ⇒ The state contributed a Statutory Appropriation from the General Fund of $34,633,570.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

In accordance with GASB Statement No. 24, on-behalf payments of fringe benefits and salaries for the entity are recognized as revenues and expenditures in the fund financial statements. The amounts contributed to the plan during fiscal years 2023 and 2022 were equal to the required contribution for each year. Total covered payroll for the employer and total contributions to the plan for the year ended June 30, 2023 and the two previous years is presented in the following table.

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2023	$ 336,453	$ 23,379	$ 30,179	$ 336
2022	$ 294,657	$ 20,657	$ 26,136	$ 295
2021	$ 278,955	$ 19,603	$ 24,465	$ 279

<u>Pension Liabilities, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end. The basis for the TPL as of June 30, 2022, is on an actuarial valuation performed by the Plan's actuary as of June 30, 2022.

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, 2022, and 2021, 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 $444,051 and the employer's proportionate share was 0.018674 percent.

	Net Pension Liability as of June 30, 2023	Net Pension Liability as of June 30, 2022	Percent of Collective NPL as of June 30, 2023	Percent of Collective NPL as of June 30, 2022	Change in Percent of Collective NPL
RAE Water and Sewer District Proportionate Share	$ 444,051	$ 317,984	0.0187 %	0.0175 %	0.0011 %
State of Montana Proportionate Share associated with employer	132,099	93,304	0.0056 %	0.0051 %	0.0005 %
Total	$ 576,150	$ 411,288	0.0243 %	0.0226 %	0.0016 %

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

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 increased from 7.06% to 7.30%
2. The investment rate of return was increased from 7.06% to 7.30%
3. Updated all morality tables to the PUB2010 tables for general employees.
4. Updated the rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%
6. The inflation rate was increased from 2.40% to 2.75%

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

Changes in proportionate share: There were no changes 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, 2023, the employer recognized a Pension Expense of $73,745 for its proportionate share of the Plan's pension expense and recognized grant revenue of $13,692 for the support provided by the state of Montana for its proportionate share of the pension expense associated with the employer.

At June 30, 2022, the employer recognized a Pension Expense of $44,995 for its proportionate share of the Plan's pension expense and recognized grant revenue of $30,429 for the support provided by the State of Montana for its proportionate share of the pension expense associated with the employer.

	Pension Expense as of	
	June 30, 2023	June 30, 2022
RAE Water and Sewer District Proportionate Share	$ 73,745	$ 44,995
Grant revenue - State of Montana Proportionate share associated with the employer	13,692	30,429
	$ 87,437	$ 75,424

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2023 and 2022, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources from the following sources:

	June 30, 2023	
	Deferred Outflows	**Deferred Inflows**
Expected vs. Actual Experience	$ 5,661	$ -
Projected Investment Earnings vs. Actual Investment Earnings	13,050	-
Changes in Assumptions	16,548	32,509
Changes in Proportion Differences Between Employer Contributions and Proportionate Share of Contributions	28,339	-
Employer Contributions Subsequent to the Measurement Date	29,187	-
	$ 92,785	$ 32,509

	June 30, 2022	
	Deferred Outflows	**Deferred Inflows**
Expected vs. Actual Experience	$ 3,393	$ 2,302
Projected Investment Earnings vs. Actual Investment Earnings	-	128,819
Changes in Assumptions	47,099	-
Changes in Proportion Differences Between Employer Contributions and Proportionate Share of Contributions	30,209	-
Employer Contributions Subsequent to the Measurement Date	27,452	-
	$ 108,153	$ 131,121

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

For the measurement year ended June 30	Recognition of deferred outflows and inflows in future years as an increase (decrease) to pension expense
2023	$ 24,580
2024	$ (9,128)
2025	$ (14,076)
2026	$ 29,713

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022, was determined on the results of an actuarial valuation date of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. Among those assumptions were the following:

- Investment Return (net of admin expense): 7.30%
- General Wage Growth (includes inflation at 2.75%): 3.50%
- Merit Increases: 0% to 4.80%
- Postretirement Benefit Increases:
  Guaranteed Annual Benefit Adjustment (GABA)
  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
  - ♦ 3.0% for members hired prior to July 1, 2007
  - ♦ 1.5% for members hired between July 1, 2007 and June 30, 2013
    - ♦ Members hired on or after July 1, 2013
      1.5% for each year PERS is funded at or above 90%;
      1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
      0% whenever the amortization period for PERS is 40 years or more.
- Morality assumptions among active participants are based on PUB-2010 General Amount Weighted Employer Mortality projected in 2021, projected generationally using MP-2021.
- Morality assumptions among disabled retirees are based on PUB-2010 General Amounted Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Morality assumptions among contingent survivors are based on PUB-2010 General Amount Weighted Contingent Survivor Morality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Morality assumptions among healthy retirees are based on PUB-2010 General Amount Weighted Healthy Retiree Mortality tables projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

The actuarial assumptions and methods utilized in the June 20, 2022 valuation, were developed in the five year experience study for the period ending 2021.

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. 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.

Target Allocations

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

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

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Cash	3.0%	(0.33%)
Domestic Equity	30.0%	5.90%
International Equity	17.0%	7.14%
Private Investments	15.0%	9.13%
Real Assets	5.0%	4.03%
Real Estate	9.0%	5.41%
Core Fixed Income	15.0%	1.14%
Non-Core Fixed Income	6.0%	3.02%

9. EMPLOYEE BENEFIT PLANS - PUBLIC EMPLOYEE RETIREMENT SYSTEM (Continued)

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 7.30%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.30%)	Current Discount Rate (7.30%)	1.0% Increase (8.30%)
Employer's Net Pension Liability - June 30, 2023	$ 640,120	$ 444,051	$ 279,551
Employer's Net Pension Liability - June 30, 2022	$ 504,750	$ 317,984	$ 161,331

Stand-Alone Statements

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

10. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2022 audit, it was discovered that contributed developer infrastructure was understated as of June 30, 2021 by $604,900. As a result, an adjustment was made to increase beginning net position and water and sewer system infrastructure assets by $604,900.

REQUIRED SUPPLEMENTARY INFORMATION

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM
For the Last Five Fiscal Years

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2023	2022	2021	2020	2019	2018	2017
District's proportion of net pension liability associated with the District	0.0187 %	0.0175 %	0.0161 %	0.0148 %	0.0138 %	0.0162 %	0.0124 %
District's proportion of net pension liability	$ 444,051	$ 317,984	$ 423,768	$ 310,379	$ 288,784	$ 316,071	$ 211,561
State of Montana's proportionate share of the net pension liability associated with the District	132,099	93,304	132,946	100,618	96,282	3,776	2,585
Total	$ 576,150	$ 411,288	$ 556,714	$ 410,997	$ 385,066	$ 319,847	$ 214,146
District's covered payroll	$ 294,657	$ 278,955	$ 269,506	$ 244,997	$ 227,547	$ 201,324	$ 148,774
District's proportionate share of the net pension liability as a percentage of its covered payroll	150.70 %	113.99 %	157.24 %	126.69 %	126.91 %	157.00 %	142.20 %
Plan fiduciary net position as a percentage of the total pension liability	73.66 %	79.91 %	68.90 %	73.85 %	73.47 %	73.75 %	74.71 %

SCHEDULE OF CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	$ 30,179	$ 29,187	$ 27,452	$ 23,612	$ 21,071	$ 19,273	$ 16,850
Contributions in relation to the contractually required contributions	$ 30,179	$ 29,187	$ 27,452	$ 23,612	$ 21,071	$ 19,273	$ 16,850
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 336,453	$ 294,657	$ 278,955	$ 269,506	$ 244,997	$ 227,547	$ 201,324
Contributions as a percentage of covered payroll	8.97 %	9.91 %	9.84 %	8.76 %	8.60 %	8.47 %	8.37 %

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See the accompanying independent auditors' report.

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
MONTANA PUBLIC EMPLOYEES RETIREMENT SYSTEM
Years Ended June 30, 2023 and 2022

Changes of Benefit Terms - The following changes to the plan provision were made as identified:

2017 Legislative Changes: 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.

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 contribution 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 after 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.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following actuarial assumptions and methods were used to determine contribution rates reported for fiscal year ending June 30, 2022, which were based on the results of the June 30, 2021 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4 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 Combined Mortality Table, with no projections
Admin expense as a % of payroll	0.29%

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.

The actuarial assumptions and methods utilized in the June 30, 2021 valuation, were developed in the six-year experience study for the period ending 2016.

AMATICS
CPA GROUP

45 Discovery Dr.
Bozeman, MT 59718

P 406.404.1925
F 406.404.1926

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

To the Board of Directors
RAE Subdivision County Water and Sewer District No. 313
Bozeman, MT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of RAE Subdivision County Water and Sewer District No. 313 ("the District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings (2023-1), as items that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the RAE Subdivision County Water and Sewer District No. 313's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Amatics CPA Group

Bozeman, Montana
October 31, 2023

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
SCHEDULE OF CURRENT YEAR FINDINGS
June 30, 2023

The results of our tests disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters and one material weakness required to be reported under *Government Auditing Standards* as of June 30, 2023.

2023-1 Placed in Service Date of Donated Infrastructure

Criteria:	The District's policy is to place donated infrastructure assets into service when the donated infrastructure begins its useful life as part of the District's system.
Condition:	Donated infrastructure has been recorded based on the warranty expiration dates included in the service agreements, rather than recorded when the infrastructure becomes part of the District's system.
Effect:	The District's infrastructure assets have been materially understated for donated assets that should have been placed in service when they became part of the system.
Cause:	The District was not reporting the donated infrastructure assets on the dates when the assets became part of the system.
Recommendation:	The District should record donated infrastructure as placed in service when it becomes part of the system.
Response:	The District will request, from the affiliated engineering firm, infrastructure costs upon completion of infrastructure for a new subdivision. The District will place donated infrastructure assets into service based upon the date the first home or property in the subdivision has the water and sewer service connected and placed into service.

RAE SUBDIVISION COUNTY WATER AND SEWER DISTRICT NO. 313
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

The results of our prior audit disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters and no material weaknesses required to be reported under *Government Auditing Standards* as of June 30, 2021 (the previous auditors' report and report on internal control and compliance covered the fiscal years ended June 30, 2021 and 2020).