



BIG SKY RESORT AREA DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

BIG SKY RESORT AREA DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sky Resort Area District
Big Sky, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Big Sky Resort Area District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Big Sky Resort Area District, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the Big Sky Resort Area 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Sky Resort Area District's internal control over financial reporting and compliance.



Bozeman, Montana
December 11, 2018

Big Sky Resort Area District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The discussion and analysis of the Big Sky Resort Area District's (District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The assets of the District exceeded its liabilities by \$1,301,129.
- \$155,828 is invested in capital assets.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the Big Sky Resort Area District's basic financial statements. The Big Sky Resort Area District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – Reporting the Big Sky Resort Area District as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the Big Sky Resort Area District's assets and liabilities, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Big Sky Resort Area District is improving or deteriorating. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

Big Sky Resort Area District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Fund Financial Statements – Reporting the Big Sky Resort Area District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund. The District's major governmental fund is the General fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds. \$100,000 and \$876,278 of the general fund balance has been committed to emergency and sinking funds, respectively. Committed fund balances can only be used for specific purposes.

Big Sky Resort Area District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Government-wide Financial Analysis – Big Sky Resort Area District as a Whole

As noted earlier, the Statement of Net Position looks at the Department as a whole and can prove to be a useful indicator of the District's financial position.

Table 1 provides a summary of the District's net position at June 30, 2018.

(Table 1)
Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
Assets		
Current and other assets	\$ 8,006,046	\$ 9,149,766
Capital assets, net	<u>160,586</u>	<u>155,828</u>
Total assets	<u>8,166,632</u>	<u>9,305,594</u>
Liabilities		
Current liabilities	<u>5,697,327</u>	<u>8,004,465</u>
Total liabilities	<u>5,697,327</u>	<u>8,004,465</u>
Net position		
Invested in capital assets	160,586	155,828
Unrestricted	<u>2,308,719</u>	<u>1,145,301</u>
Total net position	<u>\$ 2,469,305</u>	<u>\$ 1,301,129</u>

Big Sky Resort Area District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Table 2 shows the changes in net assets for the fiscal year 2018 and corresponds to the Statement of Activities on page 9.

(Table 2)
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2018</u>
General Revenues		
Resort tax revenue	\$ 5,165,083	\$ 6,582,443
Interest & penalties on tax delinquencies	6,837	6,877
Investment income	<u>18,220</u>	<u>40,961</u>
Total General Revenues	<u>5,190,140</u>	<u>6,630,281</u>
Program Expenses		
General government	191,628	324,471
Community development	<u>5,255,369</u>	<u>7,818,153</u>
Total program expenses	<u>5,446,997</u>	<u>8,142,624</u>
Change in net position	(256,857)	(1,512,343)
Net position, beginning	1,415,299	2,469,305
Prior period adjustment	<u>1,310,863</u>	<u>344,167</u>
Net position, ending	<u>\$ 2,469,305</u>	<u>\$ 1,301,129</u>

Big Sky Resort Area District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The Big Sky Resort Area District continued fiscal management from the previous fiscal year. This resulted in the District's ability to appropriate resort tax funding. This annual process supports services and programs including tourism development, infrastructure facilities, post office services, ambulance and emergency services, public transportation systems, parks and trails, the community library and other services that provide for the public health, safety and welfare within the Big Sky Resort Area District.

The Resort Tax is a 3% sales tax collected by establishments that sell luxury goods and services within the Resort Area District. Resort tax revenues continue to rise due to the success of Resort Area businesses and lodging establishments. This has again helped to provide necessary local programs and services.

BIG SKY RESORT AREA DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Cash and investments	\$ 8,850,758
Taxes receivable	299,008
Capital assets (net of accumulated depreciation)	155,828
Total assets	9,305,594
Liabilities	
Accounts payable	1,633
Payroll taxes payable	6,509
Appropriations payable	7,996,323
Total liabilities	8,004,465
Net Position	
Net investment in capital assets	155,828
Unrestricted	1,145,301
Total net position	\$ 1,301,129

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Net Expense and Changes in Net Position Governmental Activities
Governmental activities:		
General government	\$ 324,471	\$ (324,471)
Community development	7,818,153	(7,818,153)
Total governmental activities	8,142,624	(8,142,624)
General revenues:		
Resort tax revenue		6,582,443
Interest and penalties on tax delinquencies		6,877
Investment income		40,961
Total general revenues		6,630,281
Change in net position		(1,512,343)
Net position, beginning		2,469,305
Prior period adjustment		344,167
Net position, beginning, as restated		2,813,472
Net position, ending		\$ 1,301,129

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018

	Governmental Fund
	General Fund
Assets	
Cash and investments	\$ 8,850,758
Taxes receivable, net	<u>299,008</u>
Total assets	<u>\$ 9,149,766</u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable	\$ 1,633
Payroll taxes payable	6,509
Appropriations payable	<u>7,996,323</u>
Total liabilities	<u>8,004,465</u>
Deferred inflows of resources	
Committed	976,278
Unassigned	<u>169,023</u>
Total fund balance	<u>1,145,301</u>
Total liabilities and fund balance	<u>\$ 9,149,766</u>

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for governmental activities in the
statement of net position are different because:

Fund balance of the governmental fund	\$ 1,145,301
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of the governmental fund.	<u>155,828</u>
Net position of governmental activities	<u>\$ 1,301,129</u>

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2018

Revenue	
Resort tax revenue	\$ 6,582,443
Interest and penalties on tax delinquencies	6,877
Investment income	<u>40,961</u>
Total revenue	<u>6,630,281</u>
Expenditures	
Current:	
Community development	7,818,153
General government	<u>319,713</u>
Total expenditures	<u>8,137,866</u>
Net change in fund balance	<u>(1,507,585)</u>
Fund balance, beginning	2,308,719
Prior period adjustments	<u>344,167</u>
Fund balance, beginning, as restated	<u>2,652,886</u>
Fund balance, ending	<u>\$ 1,145,301</u>

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$ (1,507,585)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay for the current period.	<u>(4,758)</u>
Change in net position of governmental activities	<u>\$ (1,512,343)</u>

See accompanying notes to the basic financial statements.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Sky Resort Area District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was created on April 7, 1998. With the formation of the District, all collection and administration responsibilities with respect to the resort tax were transferred from the Counties. The District has sole responsibility for collection of the resort tax from area businesses.

County Ordinance 92-01 passed by the County Commissioners of the Gallatin and Madison Counties in Montana created a 5-member Big Sky Resort Area Board of Advisors, whose role is to make recommendations as to the spending of the resort tax monies collected by the District. The District's Board appropriates funds each year and expends it for infrastructure, public services, and for payment of costs associated with the collection and administration of the resort tax. The District's term expires on June 1, 2032.

As required by accounting principles generally accepted in the United States of America, these financial statements present Big Sky Resort Area District (the primary government) and any component units. The District has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2018, the District did not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. For the year ended June 30, 2018, the District did not receive any program revenues. Taxes and other items are reported as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned with the exception of tax revenue that is not measurable. Tax revenue does not become measurable until the vendors submit a tax remittance form, which reports the amount of resort tax due to the District.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Revenue is recognized for tax remittance forms received within 60 days of the fiscal year end; any tax revenue that has been earned but for which a tax remittance form has not been submitted is not measurable after this time. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The District reports the following major governmental fund:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the general government.

D. Cash and Investments

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

Investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined annually, and requires the use of valuation techniques, a specific method or combination of methods using one or more of three approaches: market, cost or income approach.

E. Taxes Receivable

Taxes receivable are recognized for revenue that has been earned and is measurable, but for which payment has not been received.

Taxes that are recorded as receivable as of June 30, 2018, but were not received within 60 days of the fiscal year end are reported as deferred revenue on the balance sheet – governmental fund.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets

Capital assets, which include building, furniture, and equipment, are reported in the governmental activities column in the government-wide financial statements. The District's capitalization policy requires individual assets to be capitalized if the original cost is at least \$5,000. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.

Building, furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Furniture	7-10
Equipment	5

G. Fund balance

Net position in government-wide financial statements is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

- Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors, or imposed by law.
- Committed Fund Balance – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Board of Directors. Any changes or removal of specific purposes requires majority action by the Board of Directors.
- Assigned Fund Balance – The portion of fund balance that has been identified by the Board of Directors for a specific purpose.
- Unassigned Fund Balance – All amounts not included in other spendable classifications.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Restricted/Unrestricted Net Position

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

I. Estimates

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

J. Budget

The Board of Directors of the District approves a formal expenditure budget in July for the following year. The budget covers operational expenditures as well as appropriations of monies to the community entities. The District is not legally required to adopt a budget; therefore, management has decided not to present the budget in the financial statements.

NOTE 2. CASH AND INVESTMENTS

The District voluntarily participates in the Short Term Investment Program (STIP) administered by the Montana Board of Investments (MBOI). A local government's STIP 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 days' 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.

Short Term Investment Program (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 MBOI or any other entity against investment losses, and there is no guaranteed rate of return on funds invested in STIP shares. The MBOI 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 MBOI website at <http://investmentmt.com/AnnualReportsAudits>.

Custodial Credit-Risk Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover pledged (collateral) securities that are in the possession of an outside party.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2. CASH AND INVESTMENTS (Continued)

To minimize custodial credit risk in relation to the District's deposits, it is the District's policy to have uninsured deposits covered by collateral held by the pledging bank's agent in the District's name.

As of June 30, 2018, the District had \$200 cash on hand. The carrying amount of the District's deposit balance (cash and an interest-bearing money market account) was \$8,840,141, and the bank balance was \$9,289,826. Of the bank balances, \$5,911,413 was covered by federal depository insurance and approximately \$3,876,000 was covered by collateral held by the pledging banks' agents in the District's name. There was no uninsured cash deposit balance as of June 30, 2018.

Risks related to STIP

Effective June 30, 2005, the State of Montana Board of Investments implemented the provisions of GASB Statement No. 40 – *Deposit and Investment Risk Disclosures*. The unaudited financial statements as of June 30, 2018 have disclosures pertaining to STIP's exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and legal and credit risk.

Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Security Lending

STIP is eligible to participate in securities lending. Securities lending transactions for fiscal year 2018 are disclosed in STIP's financial statements.

An unaudited copy of the STIP fiscal year 2018 financial statements is available online at the Montana Board of Investments' website.

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CAPITAL ASSETS

All of the District's capital assets are depreciated as described in Note 1. Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings	\$ 190,324	\$ -	\$ -	\$ 190,324
Equipment	11,548	-	(8,907)	2,641
Furniture	<u>3,470</u>	<u>-</u>	<u>(348)</u>	<u>3,122</u>
Totals at historical cost	<u>205,342</u>	<u>-</u>	<u>(9,255)</u>	<u>196,087</u>
Less accumulated depreciation for:				
Buildings	(29,738)	(4,758)	-	(34,496)
Equipment	(11,548)	-	8,907	(2,641)
Furniture	<u>(3,470)</u>	<u>-</u>	<u>348</u>	<u>(3,122)</u>
Total accumulated depreciation	<u>(44,756)</u>	<u>(4,758)</u>	<u>9,255</u>	<u>(40,259)</u>
Capital assets, net	<u>\$ 160,586</u>	<u>\$ (4,758)</u>	<u>\$ -</u>	<u>\$ 155,828</u>

Depreciation expense was charged to the following function/program of the District:

Governmental activities:	
General government	<u>\$ 4,758</u>

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4. APPROPRIATIONS PAYABLE

In June of each year, the Board of Directors pass a resolution to appropriate the monies collected during the year. Appropriations payable as of June 30, 2018 represents the resolution to appropriate monies as of June 30, 2018 for the following fiscal year. Payments are scheduled throughout the following year to agencies for infrastructure improvements and public services. These commitments are to be paid from collected revenues as of June 30, 2018.

As of June 30, 2018, the District had not received all of the requests for reimbursement for the monies that had been spent during the fiscal year ended June 30, 2017. The agencies have until July 15th to submit these requests for reimbursement.

Appropriations payable in the accompanying balance sheet are as follows:

June 30, 2018 appropriations payable	\$ 7,818,153
June 30, 2017 appropriations payable	<u>178,170</u>
Total appropriations payable	<u>\$ 7,996,323</u>

NOTE 5. RETIREMENT PLAN

On April 8, 2009, the District entered into an agreement with the Montana Public Employees' Retirement Board to allow its employee to participate in the State of Montana 457 Deferred Compensation Plan (Plan). The agreement was effective as of July 1, 2009. The Plan is sponsored by the Montana Public Employees' Retirement Board and is authorized by Internal Revenue Code Section 457(b) and is subject to specific Internal Revenue Service laws and requirements. The Plan is a defined contribution pension plan.

During the 2018 calendar year, the maximum contribution that the participant could make to the Plan was \$18,500. The District is not required to contribute to the plan but may match up to 6.8% of the participant's earnings.

During the fiscal year ended June 30, 2018, the participant and District each contributed \$3,503 to the plan.

NOTE 6. RELATED PARTY TRANSACTIONS

In fiscal year ended June 30, 2018, the District distributed \$593,708 in appropriations to entities that had Board or family members in common at the time of the appropriation. At June 30, 2018, \$2,826,311 was payable to these organizations.

BIG SKY RESORT AREA DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 7. CONCENTRATION

Two taxpayers provided approximately 57% of the total resort tax revenue received by the District during the fiscal year ended June 30, 2018. Approximately 42% of taxes receivable is due from one taxpayer.

NOTE 8. INSURANCE

The District is considered a “local government or political subdivision” as the term is used in Montana Code Annotated (MCA) section 2-9-101(5). MCA limits these types of entities’ liability on tort actions for damages suffered as a result of an act or omission of an officer, agent, or an employee of that entity, in an amount not to exceed \$750,000 for each claim and \$1,500,000 per occurrence (MCA Sec. 2-9-108). Accordingly, the District has purchased insurance coverage for adequate coverage.

NOTE 9. GOVERNMENTAL FUND BALANCES

At June 30, 2018, governmental fund balances in the amount of \$976,278 were committed to general government for the following purposes:

\$100,000	Emergency Fund
\$876,278	Sinking Fund

NOTE 10. PRIOR PERIOD ADJUSTMENTS

On June 30, 2018, there were unused funds that were appropriated in June of 2017 for use in fiscal year 2018. The entities to whom \$344,167 of these funds were appropriated did not ask the Board to roll these funds over to fiscal year 2018.

The following is a summary of the prior period adjustments:

	<u>Fund Balance</u>	<u>Net Position</u>
Beginning balance, as previously reported	\$ 2,308,719	\$ 2,469,305
Funds not used	344,167	344,167
Beginning balance, as restated	\$ 2,652,886	\$ 2,813,472

BIG SKY RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11. INTERLOCAL AGREEMENT

During the year ended June 30, 2017, the Board signed an Interlocal Agreement (Agreement) with Gallatin and Madison Counties to equitably allocate funding for law enforcement services in Gallatin and Madison Counties to provide for public health, safety and welfare for the entire Big Sky Resort Area District.

In the agreement, each party agrees to pay one third of the total cost for these law enforcement services, which are estimated as follows:

<u>Year ended</u>	<u>Amount</u>
June 30, 2018	\$ 830,864
June 30, 2019	\$ 847,820
June 30, 2020	\$ 866,460

According to the terms of the Agreement, Gallatin County is responsible for applying for the resort tax funds each year and the District's Board will process the request in accordance with the annual appropriation process.

Each party can terminate its participation in the Agreement upon 90 days written notice to the remaining parties. The remaining parties, if any, shall amend the Agreement by mutual written Agreement within 30 days of the initial termination to account for the loss of the party.

NOTE 12. SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 11, 2018, the date the financial statements were available to be issued.

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

To the Board of Directors
Big Sky Area Resort District
Big Sky, 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 governmental activities and the major fund of Big Sky Resort Area District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Big Sky Resort Area District's basic financial statements and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Sky Resort Area District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Sky Resort Area District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Sky Resort Area 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Sky Resort Area 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 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 instance 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.

A handwritten signature in cursive script that reads "Holmes + Turner". The signature is written in dark ink and has a long, sweeping underline that extends to the right.

Bozeman, Montana
December 11, 2018

BIG SKY RESORT AREA DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

None reported.

BIG SKY RESORT AREA DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2018

STATUS

Finding 17-01: Segregation of duties

Corrected