

BIG SKY RESORT AREA DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021



**AMATICS**  
CPA GROUP

BIG SKY RESORT AREA DISTRICT

TABLE OF CONTENTS

JUNE 30, 2021

	PAGE
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	10
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	13
Notes	
Notes to the Financial Statements.....	14
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 Governmental Auditing Standards.....	26
Schedule of Findings and Responses.....	28
Status of Prior Year Findings.....	29



## INDEPENDENT AUDITORS' REPORT

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 funds of Big Sky Resort Area District, as of and for the year ended June 30, 2021, 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.

### Auditors' 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 auditors' 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 District'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 District'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 major funds of Big Sky Resort Area District, as of June 30, 2020, and the respective changes in financial position, 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 the 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 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 November 10, 2021, on our consideration of Big Sky Resort Area District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### ***Amatics CPA Group***

Bozeman, Montana  
November 10, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Big Sky Resort Area District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

---

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, 2021. 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.

**Using this Annual Financial Report**

This discussion and analysis section 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.

**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 funds are the General fund and the Infrastructure Tax 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.

**Big Sky Resort Area District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

---

**Financial Highlights**

**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, 2021.

(Table 1)  
Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 12,205,628	\$ 8,985,910
Capital assets, net	<u>450,338</u>	<u>167,198</u>
Total assets	<u>12,655,966</u>	<u>9,153,108</u>
<b>Deferred outflows of resources</b>	<u>24,412,500</u>	<u>-</u>
Total assets and deferred outflows	<u>37,068,466</u>	<u>9,153,108</u>
<b>Liabilities</b>		
Current liabilities	5,082,102	1,702,920
Noncurrent liabilities	<u>22,472,874</u>	<u>678,433</u>
Total liabilities	<u>27,554,976</u>	<u>2,381,353</u>
<b>Net position</b>		
Invested in capital assets	160,919	167,198
Restricted	815,019	146,470
Unrestricted	<u>8,537,552</u>	<u>6,458,087</u>
Total net position	<u>\$ 9,513,490</u>	<u>\$ 6,771,755</u>

Total assets increased 38% from FY 2020. This is mostly attributable to an increase in resort tax collections. Capital assets increased approximately 170% due to the purchase of Suite 203 for additional office space.

Deferred outflows were reported in FY 2021 to account for the portion of the future minimum annual contributions to Big Sky County Water & Sewer District for the WRRF project.

Current liabilities increased 198%. This is due to the current portion of the promissory note for Suite 203 and the minimum annual contribution due to Big Sky County Water & Sewer District for the WRRF project. See Notes 6 and 7 for additional information.

Noncurrent liabilities increased significantly due to the issuance of the promissory note for Suite 203 and the interlocal agreement with Big Sky County Water & Sewer District for minimum annual contributions to the WRRF project. See Notes 6 and 7 for additional information.

**Big Sky Resort Area District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2021**

---

Table 2 shows the changes in net assets for the fiscal year 2021 and corresponds to the Statement of Activities on page 9.

(Table 2)  
**Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
<b>General Revenues</b>		
Resort tax revenue	\$ 12,871,918	\$ 7,533,344
Intergovernmental	504,879	-
Interest & penalties on tax delinquencies	35,271	26,258
Investment income	52,983	79,940
Miscellaneous	<u>387</u>	<u>-</u>
Total General Revenues	<u>13,465,438</u>	<u>7,639,542</u>
 <b>Program Expenses</b>		
General government	803,919	909,542
Community development	8,573,052	8,381,770
Interest	<u>29,999</u>	<u>18,168</u>
Total program expenses	<u>9,406,970</u>	<u>9,309,480</u>
Special item - Big Sky Relief	<u>925,838</u>	<u>718,676</u>
Change in net position	3,132,630	(2,388,614)
Net position, beginning	6,771,755	8,519,287
Prior period adjustment	<u>(390,895)</u>	<u>641,082</u>
Net position, ending	<u>\$ 9,513,490</u>	<u>\$ 6,771,755</u>

Resort tax revenue increased 71% from FY 2020. This was partially due to the negative impacts by COVID-19 on FY 2020 revenues and tourism returning to normal levels in FY 2021. In addition, the voter approved 1% infrastructure tax began in FY 2021 which contributed to the increase in resort tax revenue.

In FY 2021 the District received reimbursement from the both Gallatin and Madison Counties for COVID-19 related expenditures. This is reported as intergovernmental revenue in FY 2021 in the basic financial statements.

Investment income decreased due to decreasing interest rates and a change in account type.



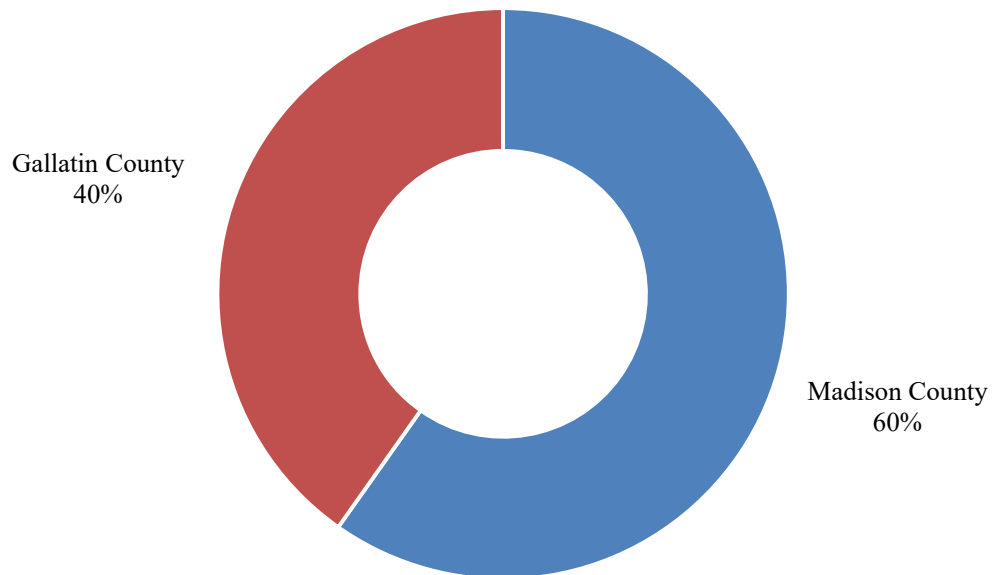
**Big Sky Resort Area District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

---

General government and Community Development expenses were mostly consistent with FY 2020. The general government decrease was mostly due to professional fees and the timing services received.

Big Sky Relief expenses increased in FY 2021 by approximately 29%. This increase was a result of the \$750,000 commitment to the COVID-19 surveillance testing program as adopted by Resolution No. 2020-04R. These expenses were considered special items due to their infrequent occurrence. See Note 11 for more information.

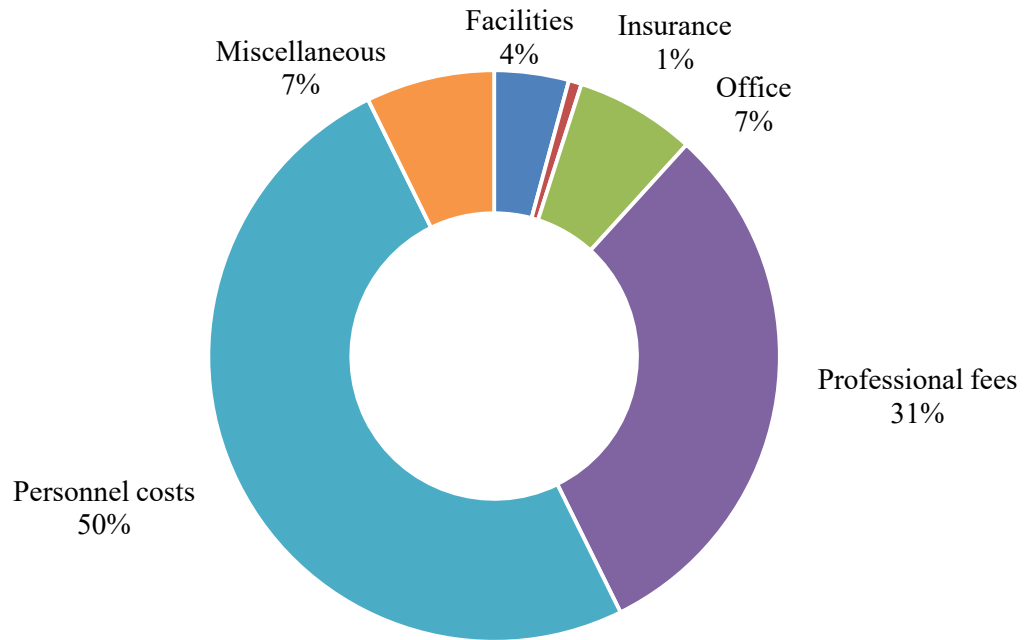
**Tax Revenue by Business Area**



**Big Sky Resort Area District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2021

---

**General Government Expenses**



## BASIC FINANCIAL STATEMENTS

BIG SKY RESORT AREA DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 10,626,946
Taxes receivable	956,958
Prepaid expenses	13,175
Total current assets	11,597,079
Noncurrent assets	
Restricted cash	608,549
Capital assets, net of accumulated depreciation	450,338
Total noncurrent assets	1,058,887
Total assets	12,655,966
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
WRRF interlocal agreement	24,412,500
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	99,345
Payroll taxes payable	163
Accrued interest payable	10,119
Appropriations payable	2,069,759
Long-term debt, current	185,841
Due to other governments, current	2,716,875
Total current liabilities	5,082,102
Noncurrent liabilities	
Compensated absences	25,179
Long-term debt	752,070
Due to other governments	21,695,625
Total noncurrent liabilities	22,472,874
Total liabilities	27,554,976
<b>NET POSITION</b>	
Net investment in capital assets	160,919
Restricted	815,019
Unrestricted	8,537,552
Total net position	\$ 9,513,490

See accompanying notes to the financial statements.

BIG SKY RESORT AREA DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Expenses	Net (Expense) Revenue and Changes in Net Position
		Governmental Activities
FUNCTIONS/PROGRAMS:		
Governmental activities		
General government	\$ 803,919	\$ (803,919)
Community development	8,573,052	(8,573,052)
Interest	29,999	(29,999)
Total governmental activities	9,406,970	(9,406,970)
General revenues		
Resort tax revenue		12,871,918
Intergovernmental		504,879
Interest and penalties on tax delinquencies		35,271
Investment earnings		52,983
Miscellaneous		387
Total general revenues		13,465,438
Special item - Big Sky Relief		(925,838)
Change in net position		3,132,630
Net position, beginning		6,771,755
Prior period adjustment		(390,895)
Net position, beginning (as restated)		6,380,860
Net position, ending		\$ 9,513,490

See accompanying notes to the financial statements.

BIG SKY RESORT AREA DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Infrastructure Tax Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 10,626,946	\$ -	\$ 10,626,946
Restricted cash	54,498	554,051	608,549
Taxes receivable	750,488	206,470	956,958
Prepaid expenses	13,175	-	13,175
Total assets	<u>11,445,107</u>	<u>760,521</u>	<u>12,205,628</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
WRRF interlocal agreement	2,716,875	-	2,716,875
Total assets and deferred outflows of resources	<u>\$ 14,161,982</u>	<u>\$ 760,521</u>	<u>\$ 14,922,503</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 99,345	-	99,345
Payroll taxes payable	163	-	163
Appropriations payable	2,069,759	-	2,069,759
Due to other governments	2,716,875	-	2,716,875
Total liabilities	<u>4,886,142</u>	<u>-</u>	<u>4,886,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable tax revenue	16,384	-	16,384
<b>FUND BALANCE</b>			
Nonspendable	13,175	-	13,175
Restricted	54,498	760,521	815,019
Committed	1,335,561	-	1,335,561
Unassigned	7,856,222	-	7,856,222
Total fund balance	<u>9,259,456</u>	<u>760,521</u>	<u>10,019,977</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,161,982</u>	<u>\$ 760,521</u>	<u>\$ 14,922,503</u>

See accompanying notes to the financial statements.

BIG SKY RESORT AREA DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021

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

Total fund balance, governmental funds	\$	10,019,977
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds balance sheet.		450,338
Some liabilities, including compensated absences, are not due and payable in the current period and therefore, are not included in governmental funds.		(25,179)
Long-term debt obligations are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the statement of net position.		(937,911)
Unavailable tax revenue is recorded in the funds, but is not recorded under the measurement focus used in the statement of net position.		16,384
Interest accrued on long-term debt obligations is reported as a liability in the statement of net position but does not get reported in the fund statements.		(10,119)
		(10,119)
Total net position of governmental activities	\$	9,513,490

See accompanying notes to the financial statements.

BIG SKY RESORT AREA DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Infrastructure Tax Fund	Total Governmental Funds
<b>REVENUES</b>			
Resort tax revenue	\$ 9,528,980	\$ 3,348,021	\$ 12,877,001
Intergovernmental	504,879	-	504,879
Interest and penalties on tax delinquencies	35,271	-	35,271
Investment earnings	52,983	-	52,983
Miscellaneous	387	-	387
Total revenues	<u>10,122,500</u>	<u>3,348,021</u>	<u>13,470,521</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	797,077	-	797,077
Community development	5,985,552	2,587,500	8,573,052
<b>Debt service</b>			
Principal	177,687	-	177,687
Interest	33,009	-	33,009
<b>Capital outlay</b>			
Capital expenditures	295,000	-	295,000
Total expenditures	<u>7,288,325</u>	<u>2,587,500</u>	<u>9,875,825</u>
Excess (deficiency) of revenues over expenditures	<u>2,834,175</u>	<u>760,521</u>	<u>3,594,696</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Promissory note	295,000	-	295,000
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>			
Big Sky Relief	(925,838)	-	(925,838)
Net change in fund balance	<u>2,203,337</u>	<u>760,521</u>	<u>2,963,858</u>
Fund balance, beginning	7,447,014	-	7,447,014
Prior period adjustment	(390,895)	-	(390,895)
Fund balance, beginning (as restated)	<u>7,056,119</u>	<u>-</u>	<u>7,056,119</u>
Fund balance, ending	<u>\$ 9,259,456</u>	<u>\$ 760,521</u>	<u>\$ 10,019,977</u>

See accompanying notes to the financial statements.



BIG SKY RESORT AREA DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds	\$	2,963,858
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.		
Depreciation expense		(11,860)
Capital outlay		295,000
Proceeds from issuance of long-term debt are reported as other financing sources in the fund statements but are not reported on the statement of activities in the government-wide statements.		
		(295,000)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.		
		177,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Increase (decrease) in taxes receivable		(5,083)
Accrued interest on long-term debt obligations is reported in the governmental activities but is not reported in the government fund statements. This is the decrease in accrued interest expense.		
		3,009
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.		
		5,019
Change in net position of governmental activities in the statement of activities	\$	3,132,630

See accompanying notes to the financial statements.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

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, 2021, 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, 2021, the District did not receive any program revenues. Taxes and other items are reported as general revenues.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Infrastructure Tax Fund - This is a special revenue fund. It accounts for the assessments and expenditures of the additional 1% resort taxes approved for infrastructure projects.

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.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, but were not received within 60 days of the fiscal year end are reported as unavailable tax revenue on the balance sheet – governmental fund.

f. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid expenses is recorded as expenditures/expenses when consumed rather than when purchased.

g. 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>Asset</u>	<u>Est. Life</u>
Buildings	40
Furniture and fixtures	7-10
Equipment	5

h. Deferred outflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for this type of reporting. It is the sum of future minimum payments to Big Sky County Water & Sewer District as a result of the interlocal agreement disclosed in Note 7.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Compensated absences

The District accrues accumulated unpaid vacation and sick leave when earned by the employee. An employee may accumulate vacation leave up to two times the eligible accrual rate per year. There is no limit for the number of sick leave hours an employee may accrue. The accumulated unpaid balance is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

j. Long-term debt

In the government-wide financial statements long term debt and other long term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are expensed at issuance.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

k. 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:

i. Nonspendable 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.

ii. Restricted fund balance

This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors, or imposed by law.

iii. 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.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Fund balance (Continued)

iv. Assigned fund balance

The portion of fund balance that has been identified by the Board of Directors for a specific purpose.

v. Unassigned fund balance

All amounts not included in other spendable classifications.

l. Use of restricted and 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.

m. Use of 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.

n. 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.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

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>.

a. 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. 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, 2021, 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 \$10,626,946, and the bank balance was \$11,235,904. Account balances are covered by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank, per depositor, except for the repurchase account with First Security Bank which is covered by a repurchase agreement. Balances in excess of the FDIC limit, including the repurchase account, are covered by collateral held by the pledging bank's agent in the District's name. The uninsured deposit balance as of June 30, 2021 was \$10,911, which was the balance invested in the Short Term Investment Pool (STIP).

b. 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, 2021 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.

BIG SKY RESORT AREA DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2021

---

2. CASH AND INVESTMENTS (CONTINUED)

c. Security lending

STIP is eligible to participate in securities lending. Securities lending transactions for fiscal year ended June 30, 2021 are disclosed in STIP's financial statements.

An unaudited copy of the STIP fiscal year 2021 financial statements is available online at the Montana Board of Investments' website.

3. RESTRICTED CASH

As of June 30, 2021, restricted cash was comprised of the following:

	Balance
Debt service	\$ 54,498
Infrastructure Tax	554,051
Total restricted cash	\$ 608,549

4. 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, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 190,324	\$ 295,000	\$ -	\$ 485,324
Leasehold improvements	17,623	-	-	17,623
Furniture and fixtures	5,228	-	-	5,228
Total	213,175	295,000	-	508,175
Less accumulated depreciation for:				
Buildings	(44,012)	(10,904)	-	(54,916)
Leasehold improvements	(257)	(441)	-	(698)
Furniture and fixtures	(1,708)	(515)	-	(2,223)
Total accumulated depreciation	(45,977)	(11,860)	-	(57,837)
Capital assets, net	\$ 167,198	\$ 283,140	\$ -	\$ 450,338

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

Governmental activities:	
General government	\$ 11,860



BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

5. APPROPRIATIONS PAYABLE

On November 12, 2020, the board approved resolution No. 2020-05R authorizing the appropriation of resort tax funds for the second half of fiscal year ended June 30, 2021. The appropriations payable balance as of June 30, 2021 represents the remaining balance of appropriations that were requested and paid prior to the July 15th deadline. Unspent funds that were not rolled over in accordance with Ordinance 99-01 were removed from the appropriations payable balance as of June 30, 2021. See Note 15 for more information.

6. LONG-TERM DEBT

During 2019, the District issued revenue bonds in the amount of \$914,185. The bonds were issued to provide funds for the Community Center Project (Series 2019A) totaling \$500,000 and the Public Safety Communications Project (Series 2019B) totaling \$414,185. The bonds carry interest rates at 3.20% and mature in 2025. As of June 30, 2021, the balance of the Series 2019A and 2019B bonds were \$354,683 and \$293,809, respectively.

On September 15, 2020, the District closed on the purchase of 11 Lone Peak Drive, Unit 203 for additional office space. The total sales price was \$295,000 and financed by a loan through First Security Bank. The note is payable in quarterly installments of \$4,481 including principal and interest at 3.59%. The note matures June 2045 and is secured by the unit.

Long-term debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Resort tax revenue bonds	\$ 820,597	\$ -	\$ (172,105)	\$ 648,492	\$ 177,920
Suite 203 Mortgage	-	295,000	(5,581)	289,419	7,921
Total long-term debt	<u>\$ 820,597</u>	<u>\$ 295,000</u>	<u>\$ (177,686)</u>	<u>\$ 937,911</u>	<u>\$ 185,841</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2021 are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2022	\$ 185,841	\$ 29,336	\$ 215,177
2023	191,868	23,309	215,177
2024	197,792	17,385	215,177
2025	105,836	10,971	116,807
2026	8,817	9,108	17,925
2027-2031	49,137	40,488	89,625
2032-2036	58,751	30,874	89,625
2037-2041	70,246	19,378	89,624
2042-2045	69,623	5,729	75,352
	<u>\$ 937,911</u>	<u>\$ 186,578</u>	<u>\$ 1,124,489</u>

BIG SKY RESORT AREA DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2021

---

7. DUE TO OTHER GOVERNMENTS

On February 4, 2020, the District and Big Sky County Water & Sewer District No. 363 entered into an interlocal agreement with respect to the WRRF Phase I Project, the Canyon Project and the payment or financing costs thereof. Pursuant to the agreement, the electors of the District approved the imposition of the additional 1% infrastructure resort tax commencing July 1, 2020 and terminating June 1, 2032. The additional infrastructure tax will be used to pay the lesser of 60% of the total costs of the WRRF Phase I Project or \$27,000,000, and \$12,000,000 for the costs of the Canyon Project if it is determined to be feasible in accordance with Section 3.3. On April 4, 2021, the interlocal agreement was amended to account for various changes including the source of funding obtained by the Water & Sewer District, the estimated cost of the project, and the agreed upon minimum contributions required by the District. Due to the new estimated total project cost, the minimum annual contributions for the District are as follows.

	Minimum Contributions
2021	\$ 2,587,500
2022	2,716,875
2023	2,852,719
2024	2,995,335
2025	3,145,122
Thereafter	12,702,449
Total	\$ 27,000,000

During the year ended June 30, 2021, the District paid the minimum annual contribution of \$2,587,500. The total remaining balance due at year end was \$24,412,500 and is reported as a Deferred Outflow of Resources since it represents the consumption of net assets that applies to future periods.

As of June 30, 2021, the Canyon Project has not met the conditions of Section 3.3 of the amended interlocal agreement. Therefore, the \$12,000,000 has not been recognized as a Deferred Outflow of Resources or included in the Due to Other Governments balance.

BIG SKY RESORT AREA DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2021

---

8. GOVERNMENTAL FUND BALANCES

a. Nonspendable fund balance

At June 30, 2021, governmental fund balances in the amount of \$13,175 were nonspendable. This balance represents prepaid expenses that were not in spendable form.

b. Restricted fund balance

At June 30, 2021, governmental fund balances were restricted for the following purposes.

	Total
Debt service account ("Bond Account")	\$ 54,498
Infrastructure tax account	760,521
Total	\$ 815,019

Bond Account: As stated in the bond resolution for the 2019A and 2019B series bonds, the District is required to maintain a Bond Account within the Resort Tax Fund. The District is required to deposit, on a monthly basis, one-twelfth of the principle and premium due on outstanding bonds on the next succeeding principle payment date, plus one-sixth of the interest due on outstanding bonds on the next succeeding interest payment date.

Infrastructure Tax Account: This represents the remaining balance of infrastructure tax collections after minimum annual payments for the WRRF project (see Note 7).

c. Committed fund balance

At June 30, 2021, governmental fund balances in the amount of \$1,335,561 were committed to general government for the following purposes.

Reserve fund - Resolution Nos. 2020-03R and 2020-04R	\$ 1,232,688
Big Sky Relief fund	102,873
Total	\$ 1,335,561

BIG SKY RESORT AREA DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2021

---

9. PRIOR PERIOD ADJUSTMENT

During the 2021 fall appropriations process, the District identified a appropriation balance payable to Big Sky Community Housing Trust that was incorrectly reversed at June 30, 2020 as "unspent" appropriations. The appropriations contract was amended in August 2019 to extend the period of time the Community Housing Trust could request funds from June 30, 2020 to June 30, 2022. As a result, beginning fund balance and net position were overstated. The cumulative effect of each prior period adjustment on beginning fund balance and net position is as follows:

	Fund Balance	Net Position
Beginning balance, as previously reported	\$ 7,447,014	\$ 6,771,755
Community Housing Trust appropriation balance	(390,895)	(390,895)
Beginning balance, as restated	\$ 7,056,119	\$ 6,380,860

10. RETIREMENT PLAN

On April 8, 2009, the District entered into an agreement with the Montana Public Employees' Retirement Board to allow its employees 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.

During the 2020 calendar year, the maximum contribution that the participant can make to the Plan is \$19,500. The District is not required to contribute to the plan but may match up to 6.8% of the participant's earnings. As of June 30, 2021, the District elected to match the max percentage of 6.8%.

During the fiscal year ended June 30, 2021, both the participant and District contributed a total of \$42,969 to the plan.

11. BIG SKY RELIEF

As a result of COVID-19, the Board adopted the Resolution to Delegate Limited Authority to Address Impacts of COVID-19 in the Big Sky Resort Area District on April 8, 2020. The resolution established a special fund in an amount up to but not to exceed \$500,000 for emergency appropriations pursuant to Section 4 of District Ordinance 99-01. This fund will provide needed funding for organizations within the District to address the social and economic impacts of COVID-19. During the year ended June 30, 2021, the District appropriated \$196,319 of the Big Sky Relief fund. As of June 30, 2021, the remaining balance of Big Sky relief funds totaled \$102,873.

In addition, the District adopted Resolution No. 2020-04R to support and fund a COVID-19 surveillance testing program and expended \$750,000 to the Big Sky Relief Fund, LLC. The total amount of expenditures incurred as a result of Big Sky Relief during the year were \$925,838 and were reported as a special item in the District's basic financial statements.

BIG SKY RESORT AREA DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

---

12. RELATED PARTY TRANSACTIONS

In fiscal year ended June 30, 2021, the District distributed \$1,420,047 in appropriations to entities that had Board or family members in common at the time of the appropriation. At June 30, 2021, \$50,960 of appropriations were payable to these organizations.

13. CONCENTRATION

Two taxpayers provided approximately 44% of the total resort tax revenue received by the District during the fiscal year ended June 30, 2021.

14. 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.

15. SUBSEQUENT EVENTS

The District has evaluated all subsequent events through October 25, 2021, the date the financial statements were available to be issued.

a. Resolution No. 2020-05R Unspent Appropriations

As of October 25, 2021, the District was aware that \$135,420 of fiscal year 2021 appropriations were unspent by the July 15, 2021 request deadline. Both the Appropriations Payable and Current Appropriations were reduced by the amount of unspent funds as of June 30, 2021.

b. FY22 Appropriations (Resolution 2021-03R)

On July 14, 2021, the District passed resolution number 2020-03R authorizing the appropriations of resort tax funds for the period of July 1, 2021 through June 30, 2022.

Appropriations	\$ 7,057,750
Reserve Fund	\$ 1,486,306



**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**

Board of Directors  
Big Sky Resort Area 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 major funds of Big Sky Resort Area District, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 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 District'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 the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2021-1).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



## **District's Response to Findings**

The District's response to the findings identified in our audit is 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 it.

## **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 an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

## ***Amatics CPA Group***

Bozeman, Montana  
November 10, 2021

**BIG SKY RESORT AREA DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2021**

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 internal control deficiency considered to be a material weakness, which was required to be reported under *Government Auditing Standards* as of June 30, 2021.

**2021-1 Appropriations Payable**

Criteria: In accordance with generally accepted accounting principles (GAAP), the District should record community development appropriations in the proper accounting period based on the underlying award/contract.

Condition: The District awards community development appropriations to applicants within the District on an annual basis. Requests for appropriations disbursements are typically due by July 15 following year end (for example, requests for fiscal year 2021 appropriations were due by July 15, 2021). In specific circumstances, appropriations agreements have been amended to allow for a longer appropriation disbursement period.

Effect: The District's fiscal year 2020 appropriations expense and payables were understated by \$390,895, requiring a prior period adjustment in the fiscal year 2021 beginning fund balance and net position.

Cause: There was a failure of the information and communication component of internal control to provide complete and accurate output because of deficiencies in timeliness. The District incorrectly reduced appropriations payable at June 30, 2020 for amounts due under an appropriations agreement that had been amended to extend the appropriation disbursement period, due to a lack of timely communication related to the contract amendment.

Recommendation: The District should communicate information on any changes to appropriation periods and agreements that could have a financial statement impact, taking into account the appropriation disbursement periods on agreements that extend beyond the standard period through July 15 following year end.

Response: We have implemented a process to identify and adjust any unusual appropriations balances at year end and have presented a prior period adjustment as disclosed in Note 9 to the financial statements.



**BIG SKY RESORT AREA DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
June 30, 2021**

The following internal control deficiencies considered to be material weaknesses were required to be reported under *Government Auditing Standards* as of June 30, 2020.

**2020-1 Appropriations Payable**

Criteria: In accordance with generally accepted accounting principles (GAAP), the District should record community development appropriations in the proper accounting period based on the underlying award/contract.

Condition: The District awards community development appropriations to applicants within the District on an annual basis. Requests for appropriations disbursements are due by July 15 following year end (requests for fiscal year 2020 appropriations were due by July 15, 2020).

Effect: Prior to the proposed audit adjustments, the District's liabilities and appropriations expenditures were overstated by \$622,209.

Cause: The District's process in the past has been to account for the year's unspent funds after the July 15 due date for requests has passed, rather than at year end. Because that date is in the next fiscal year, the result was not in accordance with GAAP.

Recommendation: The District should adjust appropriations payable to reflect the actual amounts to be paid on current year contracts after year end.

Status: See current year finding 2021-1.