

**BIG SKY RESORT AREA DISTRICT
AUDITED FINANCIAL STATEMENTS**

June 30, 2024

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AMATICS
CPA GROUP

**BIG SKY RESORT AREA DISTRICT
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Big Sky Resort Area District
Big Sky, MT**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Big Sky Resort Area District ("the District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of Big Sky Resort Area District, as of June 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is 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.

Amatic's CPA Group

Bozeman, Montana
October 30, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BIG SKY RESORT AREA DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

The discussion and analysis of the Big Sky Resort Area District ("District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024. 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 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
June 30, 2024**

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.

The following table provides a summary of the District's net position June 30, 2024.

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 30,045,698	\$ 25,083,688
Capital assets, net	<u>960,097</u>	<u>464,581</u>
Total assets	<u>31,005,795</u>	<u>25,548,269</u>
Deferred outflows of resources		
	<u>16,164,097</u>	<u>22,394,683</u>
Total assets and deferred outflows	<u>\$ 47,169,892</u>	<u>\$ 47,942,952</u>
Liabilities		
Current liabilities	\$ 4,508,936	\$ 8,074,897
Noncurrent liabilities	<u>12,732,033</u>	<u>15,858,511</u>
Total liabilities	<u>17,240,969</u>	<u>23,933,408</u>
Net position		
Invested in capital assets	960,097	464,581
Restricted	7,764,686	5,297,424
Unrestricted	<u>21,204,140</u>	<u>18,247,539</u>
Total net position	<u>\$ 29,928,923</u>	<u>\$ 24,009,544</u>

Total assets increased 21% from the prior fiscal year end. This is mostly attributable to an increase in resort tax collections throughout the year in addition to the 1% infrastructure tax.

Deferred outflows decreased from the prior year due to multi-year appropriation contracts coming to a close and current year payments on the interlocal agreements.

Noncurrent liabilities also decreased as a result of payments on the interlocal agreements.

The following table shows the changes in net assets for the fiscal year 2024 and corresponds to the Statement of Activities presented in the basic financial statements.

**BIG SKY RESORT AREA DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Changes in Net Position

	Governmental Activities	
	2024	2023
General Revenues		
Resort tax revenue	\$ 20,756,712	\$ 20,650,668
Interest & penalties	26,497	25,126
Investment income	1,086,601	311,717
Miscellaneous	6,683	35,248
Total general revenues	<u>21,876,493</u>	<u>21,022,759</u>
Program Expenses		
General government	1,487,502	1,165,180
Community development	14,469,612	14,159,272
Interest	-	8,349
Total program expenses	<u>15,957,114</u>	<u>15,332,801</u>
Change in net position	5,919,379	5,689,958
Net position, beginning	<u>24,009,544</u>	<u>18,319,586</u>
Net position, ending	<u><u>\$ 29,928,923</u></u>	<u><u>\$ 24,009,544</u></u>

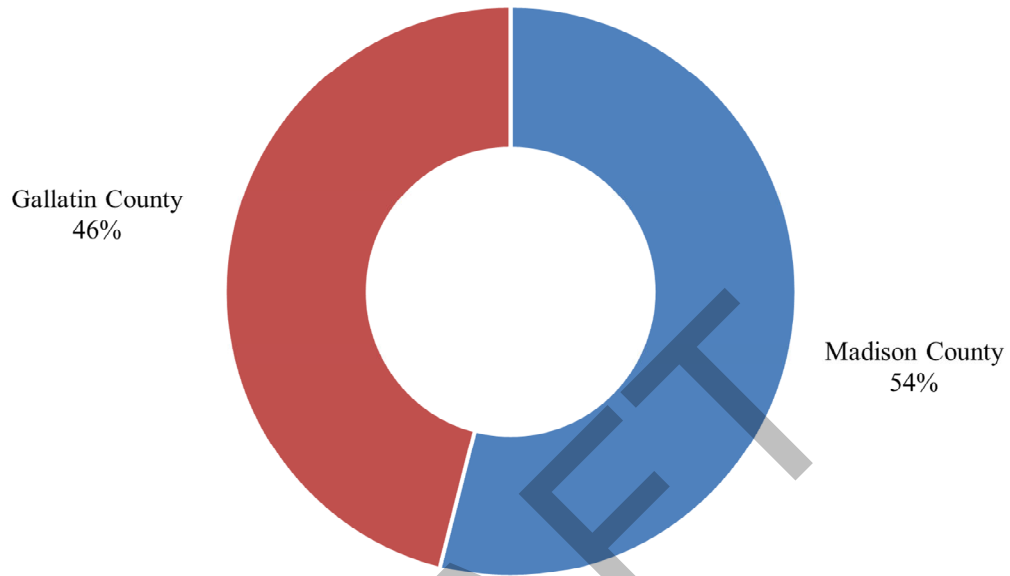
In general revenues, resort tax revenue increased 4% from the prior year. This is mainly due to the local economy's continued growth within the District's boundary. The District has also increased its public outreach and education regarding compliance for resort tax which is also a contributing factor.

Investment income significantly increased from the prior year due to the investments held in brokerage accounts opened in late FY 2023.

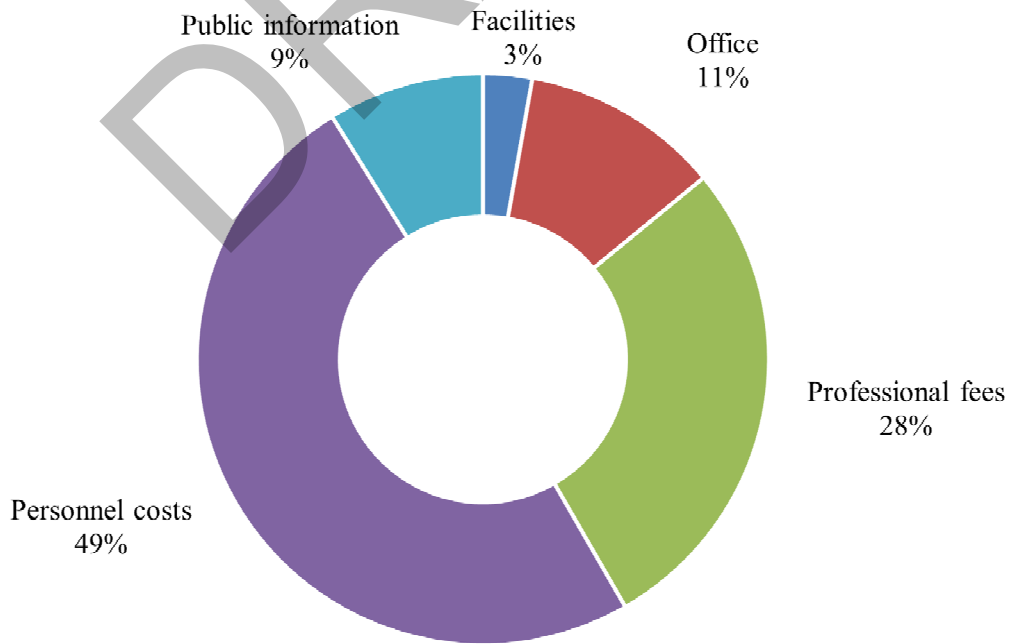
General government expenses increased approximately 28% from the prior year. The majority of this increase was attributable to the District's efforts in public information and outreach, professional fees, and strategic planning. Community development increased in the current year as well due to availability of funds.

**BIG SKY RESORT AREA DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Tax Revenue by Business Area



General Government Expenses



**BIG SKY RESORT AREA DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Economic Factors and Next Year's Budget

In preparing the fiscal year 2025 budget, the District assessed anticipated initiatives that could impact year-over-year budget line items. Notably, there is a significant increase in investment fee expenses, accompanied by a corresponding rise in investment income. The budget for personnel expenses reflects the first full year of the newly established Director of Economic and Strategic Development position. Following an employee relocation, the Office Manager role was vacated and has not been refilled. In early FY2025, the Board approved a new grant cycle procedure, shifting the next annual allocations to October 2025 rather June 2025. The Reserve balance has decreased due to the full expenditure of the Capital Reserve on the purchase of the Corner Lot. Moving forward, the Reserve Strategy will be reassessed in light of potential bonding-related debt service expected in FY2026. Expenses related to the Corner Lot will not be included in the operating budget but will be managed as a separate class. Additionally, FY2025 will see the introduction of several special projects, funded by the Board outside the typical allocation process and distinct from the standard operating budget. Given a downward trend in collections during the latter half of FY2024, the forecast for FY2025 collections has been conservatively estimated at a 13% decrease from FY2024.

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BIG SKY RESORT AREA DISTRICT
STATEMENT OF NET POSITION
June 30, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 21,223,704
Taxes receivable	1,378,986
Prepaid expenses	<u>35,864</u>
Total current assets	<u>22,638,554</u>
Noncurrent assets	
Restricted cash	7,407,144
Capital assets, net of accumulated depreciation	<u>960,097</u>
Total noncurrent assets	<u>8,367,241</u>
Total assets	<u>31,005,795</u>
DEFERRED OUTFLOWS OF RESOURCES	
WRRF interlocal agreement	15,847,571
Appropriations	<u>316,526</u>
Total deferred outflows of resources	<u>16,164,097</u>
LIABILITIES	
Current liabilities	
Accounts payable	75,348
Appropriations payable, current	1,288,466
Due to other governments, current	<u>3,145,122</u>
Total current liabilities	<u>4,508,936</u>
Noncurrent liabilities	
Appropriations payable	3,700
Due to other governments	12,702,449
Compensated absences	<u>25,884</u>
Total noncurrent liabilities	<u>12,732,033</u>
Total liabilities	<u>17,240,969</u>
NET POSITION	
Net investment in capital assets	960,097
Restricted	7,764,686
Unrestricted	<u>21,204,140</u>
Total net position	<u>\$ 29,928,923</u>

See the accompanying independent auditor's report.

**BIG SKY RESORT AREA DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024**

	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
FUNCTIONS/PROGRAMS:		
Governmental activities		
General government	\$ 1,487,502	\$ (1,487,502)
Community development	14,469,612	(14,469,612)
Total governmental activities	15,957,114	(15,957,114)
General revenues		
Resort tax revenue		20,756,712
Interest and penalties		26,497
Investment earnings		1,086,601
Miscellaneous		6,683
Total general revenues		21,876,493
Change in net position		5,919,379
Net position, beginning		24,009,544
Net position, ending		\$ 29,928,923

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See the accompanying independent auditor's report.

**BIG SKY RESORT AREA DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024**

	General Fund	Infrastructure Tax Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 21,223,704	\$ -	\$ 21,223,704
Restricted cash	-	7,407,144	7,407,144
Taxes receivable	1,021,444	357,542	1,378,986
Interest receivable	-	-	-
Prepaid expenses	35,864	-	35,864
Total assets	22,281,012	7,764,686	30,045,698
DEFERRED OUTFLOWS OF RESOURCES			
WRRF interlocal agreement	-	3,145,142	3,145,142
Appropriations	316,526	-	316,526
Total deferred outflows of resources	316,526	3,145,142	3,461,668
Total assets and deferred outflows of resources	\$ 22,597,538	\$ 10,909,828	\$ 33,507,366
LIABILITIES			
Accounts payable	75,348	-	75,348
Appropriations payable	1,292,166	-	1,292,166
Due to other governments	-	3,145,142	3,145,142
Total liabilities	1,367,514	3,145,142	4,512,656
FUND BALANCE			
Nonspendable	37,585	-	37,585
Restricted	-	7,764,686	7,764,686
Committed	5,657,141	-	5,657,141
Unassigned	15,535,298	-	15,535,298
Total fund balances	21,230,024	7,764,686	28,994,710
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,597,538	\$ 10,909,828	\$ 33,507,366

See the accompanying independent auditor's report.

**BIG SKY RESORT AREA DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2024**

Total fund balance, governmental funds	\$ 28,994,710
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds balance sheet	960,097
Some liabilities, including compensated absences, are not due and payable in the current period and therefore, are not included in governmental funds.	<u>(25,884)</u>
Total net position of governmental activities	<u><u>\$ 29,928,923</u></u>

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See the accompanying independent auditor's report.

BIG SKY RESORT AREA DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General Fund	Infrastructure Tax Fund	Total Governmental Funds
REVENUES			
Resort tax revenue	\$ 15,294,115	\$ 5,462,597	\$ 20,756,712
Interest and penalties	26,497	-	26,497
Investment earnings	1,086,601	-	1,086,601
Miscellaneous	6,683	-	6,683
Total revenues	<u>16,413,896</u>	<u>5,462,597</u>	<u>21,876,493</u>
EXPENDITURES			
Current			
General government	1,455,949	-	1,455,949
Community development	11,474,277	2,995,335	14,469,612
Capital outlay	512,125	-	512,125
Total expenditures	<u>13,442,351</u>	<u>2,995,335</u>	<u>16,437,686</u>
Net change in fund balance	<u>2,971,545</u>	<u>2,467,262</u>	<u>5,438,807</u>
Fund balance, beginning	<u>18,258,479</u>	<u>5,297,424</u>	<u>23,555,903</u>
Fund balance, ending	<u>\$ 21,230,024</u>	<u>\$ 7,764,686</u>	<u>\$ 28,994,710</u>

See the accompanying independent auditor's report.

**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
June 30, 2024**

Net change in fund balances - total governmental funds \$ 5,438,807

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

Governmental funds report capital outlay 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.

Capital outlay	512,125
Depreciation expense	(16,609)

Change in compensated absences. The governmental funds reflect this activity when it is paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and change in net position. (14,944)

Change in net position of governmental activities \$ 5,919,379

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**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

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 Big Sky Resort Area 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, 2024, 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, 2024, 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.

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.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

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, repurchase 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.

In April 2023, the District adopted an investment policy with the objective to (1) protect the principal value of tax receipts received, (2) generate income from investments to sustain the real spending power of accrued tax receipts, and (3) provide the District additional investment returns to offset the costs of its operations. The investments of the District will be split between two investment pools: the Operating Fund and the Investment Fund.

i. Operating Fund

The Operating Fund's purpose is to generate income to help meet the funding requirements of the District and to provide supplemental sources of liquidity to those held in deposit accounts. Assets in this portfolio are to be invested conservatively in instruments maturing 12 months or less. The District's target is between 40-60% of the District's liquid cash reserve are to be held in this fund at any point in time.

The District has established the following restrictions for the fund: (1) all investments must be readily marketable and have daily liquid markets or be backed by FDIC insurance; (2) all investments must have maturities of 12 months or less; (3) there shall be no investments in foreign denominated securities; and (4) repurchase agreements must be 100% collateralized by U.S. Government securities.

BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowable investments include FDIC-insured banking deposits, certificates of deposit (CD), U.S. Government treasury bills, commercial paper rated AA or greater by a major ratings agency, and commingled investment vehicles such as mutual funds and exchange traded funds whose underlying holdings are substantially consistent with these guidelines. The benchmark used to assess performance of the fund shall be the 3-month U.S. Treasury bill.

ii. **Investment Fund**

The Investment Fund is a short-term fund with the purpose to generate income and investment returns in excess of those achievable in cash investments and fixed income instruments utilized by the Operating Fund. It is expected that the short-term fund will engage in an investment approach assuming marginally greater duration and credit exposure than short-term assets. Investment income from this fund may be used by the District to fund its operating expenses and to boost cash and Operated Fund reserves. The District's target is between 40-60% of the District's liquid cash reserve are to be held in this fund at any point in time. A maximum of 10% may be held in cash.

The fixed income assets in the portfolio are managed with the objective of generating a net-of-fee return in excess of the benchmark. The benchmark used in measuring the fund's performance is the ICE/BAML 1-3 year U.S. Treasury Index. The portfolio is expected to be managed in a prudent manner with regard to capital preservation while pursuing returns in excess of the benchmark, meeting liquidity needs and providing a steady flow of interest/income to assist in meeting the budgetary needs of the District.

The District has established the following restrictions for the fund: (1) maintain an average credit quality rating of A/A2 as rated by either Standard and Poor's or Moody's Investors service respectively; (2) maintain an overall duration of no greater than 2.5 years; (3) except for U.S. Government or Agency securities, no more than 10% of the Fund's value shall be held in securities of any single issuing entity; and (4) maintain sufficient liquidity that it may be reasonable converted to cash in 5 days in most market environments.

Allowable investments include fixed income instruments of the U.S. Government, including Treasury Bills, Treasury Bonds, and securities guaranteed by Government Agencies; corporate bonds; mortgage-backed securities; asset-backed securities; bank loans; utility bonds; and commingled funds such as mutual funds and exchange traded funds whose underlying holdings are substantially consistent with this policy.

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, 2024, 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.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 class</u>	<u>Est. Life</u>
Buildings	40
Equipment	5
Furniture and fixtures	7-10
Improvements	15

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 two items that qualify for this type of reporting. Deferred outflows includes the sum of future minimum payments to Big Sky County Water & Sewer District as a result of the interlocal agreement disclosed in Note 5, and the portion of multi-year appropriations applicable to future periods.

i. Compensated Absences

The District accrues accumulated paid time off (PTO) when earned by the employee. An employee may accumulate PTO up to two times the eligible accrual rate per year. 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.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. CASH AND INVESTMENTS

As of June 30 2024, cash and investments was comprised of the following:

Deposit accounts	\$ 21,393,249
Money market	5,143
Short-term investment pool (STIP)	11,986
Operating Fund	
Cash and cash equivalents	37,584
Corporate bonds	2,238,057
U.S. Government bonds	1,331,088
Investment fund	
Cash and cash equivalents	36,899
Certificates of deposit	2,798,338
U.S. Government bonds	577,106
Mutual funds	<u>201,398</u>
	<u>\$ 28,630,848</u>
Cash and investments as presented in financial statements	
Cash and investments	\$ 21,223,704
Restricted cash	<u>7,407,144</u>
	<u>\$ 28,630,848</u>

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Level 1 fair value measurements: Money market funds, corporate bonds, U.S. Government bonds, and mutual funds are valued using quoted market prices.

Level 2 fair value measurements: Certificates of deposit are valued using quoted prices in markets that are not active.

Net asset value practical expedient: Short Term Investment Program (STIP) is valued at net asset value (NAV). The NAV is used as a practical expedient to estimate fair value.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

2. CASH AND INVESTMENTS (CONTINUED)

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. 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, 2024, the carrying amount of the District's deposit balance (cash and interest-bearing money market accounts) was \$21,398,392, and the bank balance was \$21,410,267. 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 materially covered by collateral held by the pledging bank's agent in the District's name. The uninsured deposit balance as of June 30, 2024 was \$11,986, which was the balance invested in the Short Term Investment Pool (STIP).

The Investment and Operating Funds are held in brokerage accounts covered by FDIC and the Securities Investor Protection Corporation (SIPC). Account balances are covered by the SIPC up to \$500,000 for each separate capacity. The District's accounts are not considered separate capacities and are combined, limiting the District's SIPC protection to \$500,000. The uninsured deposit balance as of June 30, 2024 was \$6,720,469.

<u>Investment Type</u>	<u>Rating</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Corporate Bonds	A-	\$ -	\$ 196,527
Corporate Bonds	A+	197,366	-
Corporate Bonds	BBB	694,118	364,895
Corporate Bonds	BBB-	199,814	193,910
Corporate Bonds	BBB+	198,100	193,328
U.S. Government Bonds	AAA	951,943	956,250
		<u>\$ 2,241,341</u>	<u>\$ 1,904,910</u>

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

2. CASH AND INVESTMENTS (CONTINUED)

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, 2024 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.

c. Security lending

STIP is eligible to participate in securities lending. Securities lending transactions for fiscal year ended June 30, 2024 are disclosed in STIP's financial statements.

An unaudited copy of the STIP fiscal year 2023 financial statements is available online at the Montana Board of Investments’ website.

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, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets:				
Land	\$ -	\$ 500,000	\$ -	\$ 500,000
Buildings	546,656	12,125	-	558,781
Furniture and fixtures	5,228	-	-	5,228
	<u>551,884</u>	<u>512,125</u>	<u>-</u>	<u>1,064,009</u>
Accumulated depreciation:				
Buildings	(84,050)	(16,094)	-	(100,144)
Furniture and fixtures	(3,253)	(515)	-	(3,768)
	<u>(87,303)</u>	<u>(16,609)</u>	<u>-</u>	<u>(103,912)</u>
Capital assets, net	<u>\$ 464,581</u>	<u>\$ 495,516</u>	<u>\$ -</u>	<u>\$ 960,097</u>

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

Governmental activities:

General government \$ 16,609

In fiscal year 2024, the District paid \$500,000 in earnest money toward the purchase of a parcel of land which was completed in July 2024 (see Note 12).

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

4. APPROPRIATIONS PAYABLE

On July 12, 2023, the Board approved resolution No. 2023-01 authorizing the appropriation of resort tax funds for fiscal year ended June 30, 2024. The appropriations payable balance as of June 30, 2024 represents the remaining balance of appropriations that were requested and paid prior to the July 15th deadline and the unpaid portion of multi-year appropriation contracts. Unspent funds that were not rolled over in accordance with Ordinance 99-01 were removed from the appropriations payable balance as of June 30, 2024. See Note 12 for more information.

5. 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. The future minimum annual contributions for the District are as follows.

	<u>Minimum Contributions</u>
2025	\$ 3,145,122
2026	3,302,379
2027	3,467,497
2028	3,640,872
Thereafter	<u>2,291,701</u>
Total	<u>\$ 15,847,571</u>

During the year ended June 30, 2024, the District paid the minimum annual contribution of \$2,995,335. The total remaining balance due at year end was \$15,847,571 and is reported as a Deferred Outflow of Resources since it represents the consumption of net assets that apply to future periods.

As of June 30, 2024, the Canyon Project had not met the conditions of Section 3.3 of the amended interlocal agreement; therefore the amount committed has not been recognized as a deferred outflow of resources, nor included in the balance reported as due to other governments.

In July 2024, the Canyon Project was determined to be feasible, however the cost has increased to well beyond the original \$12,000,000 committed by the District. The District will be working with Big Sky County Water & Sewer District No. 363 to identify possible funding solutions.

6. GOVERNMENTAL FUND BALANCES

a. Nonspendable fund balance

At June 30, 2024, governmental fund balances in the amount of \$37,585 were nonspendable. This balance represents prepaid expenses that were not in spendable form.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

6. GOVERNMENTAL FUND BALANCES (Continued)

b. Restricted fund balance

At June 30, 2024, governmental fund balances were restricted for the following purposes:

Infrastructure tax account	<u>\$ 7,764,686</u>
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Infrastructure Tax Account: This represents the remaining balance of infrastructure tax collections after minimum annual payments for the WRRF project (see Note 5).

c. Committed fund balance

At June 30, 2024, governmental fund balances were committed to general government for the following purposes:

TIGER Grant	\$ 239,996
Operating Reserve Fund	329,017
Emergency Reserve Fund	1,500,000
Capital Reserve Fund	3,550,000
Opportunity Fund	<u>38,128</u>
	<u>\$ 5,657,141</u>

7. 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.

The District is not required to contribute to the plan but may match up to 6.8% of the participant's earnings. For the year ended June 30, 2024, the District elected to match the max percentage of 6.8%.

During the fiscal year ended June 30, 2024, both the participant and District contributed a total of \$65,410 to the plan.

8. RELATED PARTY TRANSACTIONS

In fiscal year ended June 30, 2024, the District distributed \$2,846,511 in appropriations to entities that had Board or family members in common at the time of the appropriation. At June 30, 2024, \$402,118 of appropriations were payable to these organizations.

9. CONCENTRATION

Three taxpayers provided approximately 50.5% of the total resort tax revenue received by the District during the fiscal year ended June 30, 2024.

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

10. 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.

11. COMMITMENTS

In fiscal year 2024, the District entered into an agreement for a governance exploration study. The District accepted a bid for the study in the amount of \$329,750. \$500,000 was budgeted for the study before the bid was received and accepted. The additional amount will be a budget contingency and cover any cost overruns. The study is expected to be completed in fiscal year 2025.

In fiscal year 2024, the District entered into an agreement to pay \$75,000 in legal costs for the wellness coalition efforts. This is expected to be paid in fiscal year 2025. At the July 10, 2024 board meeting, the board approved an additional \$75,000 for wellness coalition legal expenses. This amount has been paid in fiscal year 2025.

12. SUBSEQUENT EVENTS

The District has evaluated all subsequent events through October 30, 2024, the date the financial statements were available to be issued.

a. Resolution No. 2023-01 Unspent Appropriations

The District is aware that \$577,827 of fiscal year 2024 appropriations were unspent by the July 15, 2024 request deadline. Both the Appropriations Payable and Current Appropriations were reduced by the amount of unspent funds as of June 30, 2024.

b. FY2025 Appropriations (Resolution 2024-03R)

On July 10, 2024, the District passed a resolution number authorizing the appropriations of resort tax funds for the period of July 1, 2024 through June 30, 2025 for the following purposes.

Approved Nonprofit Grants	\$ 7,173,947
Approved Government Grants	7,866,905
Arts & Culture Fund	38,597
Conservation Fund	238,535
Education & Childcare Fund	384,852
Housing Fund	23,224
Operating Reserve Fund Addition	11,768
Emergency Reserve Fund Addition	1,000,000
Microgrant Fund Addition	107,336
191/64 Land Down Payment	<u>4,990,000</u>
	<u>\$ 21,835,164</u>

**BIG SKY RESORT AREA DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

12. SUBSEQUENT EVENTS (Continued)

c. Land Purchase

In July 2024, the District completed the purchase of a parcel of land with a total purchase price of \$10,450,000. This purchase is financed over three years with \$4,990,000 paid in July 2024, \$2,730,000 to be paid in July 2025 and \$2,730,000 to be paid in July 2026.

d. Appropriations Cycle Changes

The timing of the annual grant cycle will be shifted based on changes approved by the Board in FY2025. The next application for funding will open in FY2026 (August) and funds will be allocated in late October. In the transitional year (FY2025-2026), organizations will apply for 16 months of funding, returning to the traditional 12 months of funding in FY2027. Contract terms will run from November-October, rather than being aligned with the fiscal year. These changes will allow for a firm available funds number because the allocations will occur after the fiscal year has closed. This shift will eliminate the need to forecast revenues and expenses at the end of the fiscal year, in anticipation of June allocation meetings.

DRAFT



**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***

Board of Directors
Big Sky Resort Area District
Big Sky, MT

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, ("the District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Sky Resort Area District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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.

Amicus CPA Group

Bozeman, Montana

October 30, 2024

DRAFT

**BIG SKY RESORT AREA DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2024**

The results of our tests disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, and no internal control deficiencies considered to be material weaknesses as of June 30, 2024.

DRAFT

**BIG SKY RESORT AREA DISTRICT
STATUS OF PRIOR YEAR FINDINGS
June 30, 2024**

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

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