

GARDINER RESORT AREA DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2017

GARDINER RESORT AREA DISTRICT

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Rosie Barndt, CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gardiner Resort Area District
Gardiner, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of Gardiner Resort Area District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Gardiner Resort Area District as of December 31, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 19, 2018, on my consideration of the Gardiner Resort Area District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gardiner Resort Area District's internal control over financial reporting and compliance.

Rosie Barnatt, CPA, PC

June 19, 2018

GARDINER RESORT AREA DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents	\$ 647,927	\$ -	\$ 647,927
Total assets	<u>\$ 647,927</u>	-	<u>647,927</u>
Liabilities			
Appropriations payable	\$ 535,377	-	535,377
Total liabilities	<u>535,377</u>	-	<u>535,377</u>
Fund Balance/Net Position			
Fund balances:			
Restricted for property tax relief	23,892	(23,892) a	-
Restricted for visitor center capital	1,325	(1,325) a	-
Restricted for visitor center operations and maintenance	883	(883) a	-
Restricted for capital improvement	16,447	(16,447) a	-
Unassigned	<u>70,003</u>	<u>(70,003) a</u>	<u>-</u>
Total fund balances	<u>112,550</u>	<u>(112,550)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 647,927</u>		
Net Position:			
Restricted for property tax relief		23,892 a	23,892
Restricted for visitor center capital		1,325 a	1,325
Restricted for visitor center operations and maintenance		883 a	883
Restricted for capital improvement		16,447 a	16,447
Unrestricted		<u>70,003 a</u>	<u>70,003</u>
Total net position		<u>\$ 112,550</u>	<u>\$ 112,550</u>

a Reclassifications to report net position in the required categories.

See accompanying notes to the basic financial statements.

GARDINER RESORT AREA DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Community development	\$ 811,361	\$ -	\$ 811,361
General government	<u>25,157</u>	<u>-</u>	<u>25,157</u>
Total expenditures/expenses	<u>836,518</u>	<u>-</u>	<u>836,518</u>
General revenues:			
Resort tax revenue - current year	607,968	-	607,968
Resort tax revenue - prior years	210,994	-	210,994
Interest and penalties on tax delinquencies	5,319	-	5,319
Interest income	<u>1,925</u>	<u>-</u>	<u>1,925</u>
Total general revenues	<u>826,206</u>	<u>-</u>	<u>826,206</u>
Excess of revenues over expenditures	<u>(10,312)</u>	10,312 a	
Change in net position		(10,312) a	<u>(10,312)</u>
Fund balance/ net position, beginning	61,467	-	61,467
Prior period adjustments	<u>61,395</u>	<u>-</u>	<u>61,395</u>
Fund balance/ net position, beginning, restated	<u>122,862</u>	<u>-</u>	<u>122,862</u>
Fund balance/ net position, ending	<u>\$ 112,550</u>	<u>\$ -</u>	<u>\$ 112,550</u>

a Reclassifications to report proper terminology.

See accompanying notes to the basic financial statements.

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gardiner 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

On February 17, 2015, the Park County, Montana Commissions, passed Resolution 1200, which allowed the electors residing in the proposed Gardiner Resort Area District to vote on the creation of a resort area district, in accordance with Sections 7-6-1536 and 7-6-1537, MCA. The District was approved by the qualified electors on May 5, 2015. Members of the Board of Directors were elected on November 3, 2015. With the formation of the District, all collection and administration responsibilities with respect to the resort tax were transferred from Park County on January 1, 2016, at which time, the District had sole responsibility for these duties.

The District has a 5-member Board of Directors, whose role is to make recommendations as to the spending of the resort tax monies collected by the District as outlined by the Administrative Ordinance No. 2015-1. The District's Board appropriates funds each year and expends it for property tax relief; community services and cultural grants; operational expenses of the District; infrastructure and community development; and visitor center capital and operations and maintenance. The District's term expires on September 30, 2034.

As required by accounting principles generally accepted in the United States of America, these financial statements present Gardiner Resort Area District; the District is not a component unit nor does the District have 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 December 31, 2017, 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 December 31, 2017, the District did not receive any program revenues. Taxes and other items are reported as general revenues.

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 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 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 year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following major governmental fund:

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

D. Cash and Investments

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

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 December 31, 2017, the bank balance was \$647,927. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the pledging banks’ agents in the District’s name.

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund balance

Net position in government-wide financial statements is classified as 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:

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.

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

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes imposed by majority vote of the Board of Directors. Any changes or removal of specific purposes requires majority action by the Board of Directors.

Assigned Fund Balance – This classification includes amounts that have been identified by the Board of Directors for a specific purpose.

Unassigned Fund Balance – This classification includes amounts not included in other spendable classifications.

F. Use of Restricted/Unrestricted Net Position/Fund Balance

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

G. Appropriations

In accordance with Administrative Ordinance No. 2015-1, *An Ordinance Providing for the Administration of the Gardiner Resort Area District*, 5% of resort taxes collected are to be retained by the establishments collecting the resort tax as a reimbursement of administrative fees. The Board is required to appropriate the remaining resort tax as follows:

- 10% for property tax relief;
- 5% to fund community services and cultural grants;
- 5% to fund the operational expenses of the District;
- 50% to fund infrastructure and community development;
- 15% for visitor center capital; and
- 10% for visitor center operations and maintenance.

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Estimates

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

I. Budget

The District is not legally required to adopt a budget; therefore, management has decided not to present the budget in the financial statements.

NOTE 2. APPROPRIATIONS PAYABLE

On December 11, 2017, the Board of Directors passed resolutions to appropriate the funds accumulated for community services and cultural grants and infrastructure and community development. Appropriations payable as of December 31, 2017 represents the appropriations from these resolutions that had not been paid as of this date.

NOTE 3. CONCENTRATION

One taxpayer provided approximately 11% of the total resort tax revenue received by the District during the year ended December 31, 2017.

NOTE 4. RISK MANAGEMENT

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 adequate insurance coverage.

NOTE 5. RESTRICTED NET POSITION AND FUND BALANCES

At December 31, 2017, the District held funds restricted for the following purposes:

Property tax relief	\$ 23,892
Visitor center capital	1,325
Visitor center operations and maintenance	883
Capital improvement	<u>16,447</u>
	<u><u>\$ 42,547</u></u>

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. PRIOR PERIOD ADJUSTMENTS

During 2017, there were unused funds that were appropriated in 2016 for use by either May 30 or December 31, 2017, depending on the date of the appropriation. The entities to whom \$61,395 of these funds were appropriated did not ask the Board to roll these funds over to 2018.

The following is a summary of prior period adjustments:

	<u>Fund Balance/ Net Position</u>
Beginning balance, as previously reported	\$ 61,467
Funds not used	<u>61,395</u>
Beginning balance, as restated	<u>\$ 122,862</u>

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

To the Board of Directors
Gardiner Area Resort District
Gardiner, Montana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Gardiner Resort Area District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Gardiner Resort Area District's basic financial statements and have issued my report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Gardiner Resort Area District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gardiner Resort Area District's internal control. Accordingly, I do not express an opinion on the effectiveness of Gardiner Resort Area District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency [2017-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gardiner Resort Area District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gardiner Resort Area District's Response to Findings

Gardiner Resort Area District's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Gardiner Resort Area District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Rosie Barndt, CPA, PC

June 19, 2018

GARDINER RESORT AREA DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

INTERNAL CONTROL

2017-001 Segregation of duties

The accounting functions of the District are currently being handled by the Board members and a bookkeeper who has access to all areas of the accounting software. It would be inefficient, considering the size of the District, for the District to hire additional individuals to separate responsibilities for authorizing transactions, processing and recording them, and reviewing the transactions to achieve optimal internal controls. However, to mitigate this risk, the District has taken several steps to obtain the best internal controls possible.

Management's response

We concur with the above comment; we feel that effective internal controls are very important. We continue to practice procedures that involve Board oversight and result in efficient internal controls over the District's daily operations and financial reporting.

GARDINER RESORT AREA DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2017

Reference

Status

2016-001

See current year finding 2017-001