

GARDINER RESORT AREA DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2021

GARDINER RESORT AREA DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the governmental activities and the major fund of Gardiner Resort Area District (District), as of and for the year ended December 31, 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.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2021, 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.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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

My 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 my 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 GAAS 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 GAAS and *Government Auditing Standards*, I:

- 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 my judgment, 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 a reasonable period of time.

I am 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 I identified during the audit.

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.

June 14, 2022
Gardiner Resort Area District
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 14, 2022, on my consideration of the 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 solely 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 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.

Rosie Barndt, CPA, PC

June 14, 2022

GARDINER RESORT AREA DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ <u>1,011,866</u>	\$ -	\$ <u>1,011,866</u>
Total assets	<u>\$ <u>1,011,866</u></u>	-	<u>1,011,866</u>
Liabilities			
Appropriations payable	\$ <u>864,843</u>	-	<u>864,843</u>
Total liabilities	<u>864,843</u>	-	<u>864,843</u>
Fund Balance/Net Position			
Fund balances:			
Restricted for:			
Capital improvement	8,415	(8,415) a	-
Community services and cultural grants	3,695	(3,695) a	-
Property tax relief	15,119	(15,119) a	-
Visitor center capital grants	2,812	(2,812) a	-
Visitor center operations and maintenance	1,875	(1,875) a	-
Unassigned	<u>115,107</u>	<u>(115,107) a</u>	-
Total fund balances	<u>147,023</u>	<u>(147,023)</u>	-
Total liabilities and fund balances	<u>\$ <u>1,011,866</u></u>		
Net Position:			
Restricted for:			
Capital improvement		8,415 a	8,415
Community services and cultural grants		3,695 a	3,695
Property tax relief		15,119 a	15,119
Visitor center capital grants		2,812 a	2,812
Visitor center operations and maintenance		1,875 a	1,875
Unrestricted		<u>115,107 a</u>	<u>115,107</u>
Total net position		<u>\$ <u>147,023</u></u>	<u>\$ <u>147,023</u></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, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Community development	\$ 1,121,305	\$ -	\$ 1,121,305
General government	<u>29,097</u>	<u>-</u>	<u>29,097</u>
Total expenditures/expenses	<u>1,150,402</u>	<u>-</u>	<u>1,150,402</u>
General revenues:			
Resort tax revenue - current year	1,173,088	-	1,173,088
Resort tax revenue - prior years	951	-	951
Interest and penalties on tax delinquencies	3,938	-	3,938
Interest income	<u>57</u>	<u>-</u>	<u>57</u>
Total general revenues	<u>1,178,034</u>	<u>-</u>	<u>1,178,034</u>
Excess of revenues over expenditures	<u>27,632</u>	(27,632) a	
Change in net position		27,632 a	<u>27,632</u>
Fund balance/ net position, beginning	117,216	-	117,216
Prior period adjustments	<u>2,175</u>	<u>-</u>	<u>2,175</u>
Fund balance/ net position, beginning, restated	<u>119,391</u>	<u>-</u>	<u>119,391</u>
Fund balance/ net position, ending	<u>\$ 147,023</u>	<u>\$ -</u>	<u>\$ 147,023</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, 2021

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, 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 December 31, 2021, 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, 2021

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, 2021, the bank balance was \$1,807,514. 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, 2021

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*, the rate of resort tax is 3% of which 5% is to be retained by the establishments collecting the resort tax as a reimbursement of administrative fees.

On December 8, 2020, qualified electors approved an additional 1% of resort tax to be applied to an infrastructure project until it is complete or until 2030, whichever comes first. The 4% rate was effective as of June 1, 2021.

The Board is required to appropriate the resort tax as follows:

- 7.89% for property tax relief;
- 3.95% to fund community services and cultural grants;
- 3.95% to fund the operational expenses of the District;
- 39.48% to fund infrastructure and community development;
- 11.84% for visitor center capital;
- 7.89% for visitor center operations and maintenance; and
- 25% for infrastructure project.

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 14, 2021, the Board of Directors passed resolutions to appropriate the funds accumulated for community services and cultural grants and capital improvement. Appropriations payable as of December 31, 2021 represents the appropriations from these resolutions that had not been paid as of this date.

NOTE 3. 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 4. RESTRICTED NET POSITION AND FUND BALANCES

At December 31, 2021, the District held funds restricted for the following purposes:

Capital improvement	\$ 8,415
Community services and cultural grants	3,695
Property tax relief	15,119
Visitor center capital grants	2,812
Visitor center operations and maintenance	<u>1,875</u>
	<u>\$ 31,916</u>

GARDINER RESORT AREA DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5. PRIOR PERIOD ADJUSTMENTS

During 2021, there were unused funds that were appropriated in 2020 for use by December 31, 2021. The entities to whom \$2,175 of these funds were appropriated did not ask the Board to roll these funds over to 2021.

The following is a summary of prior period adjustments:

	Fund Balance/ Net Position
Beginning balance, as previously reported	\$ 117,216
Funds not used	<u>2,175</u>
Beginning balance, as restated	<u>\$ 119,391</u>

NOTE 6. SUBSEQUENT REPORTABLE EVENTS

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread. Business continuity could be impacted for months as significant and unprecedented measures are taken to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.



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 Resort Area 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 (District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 14, 2022.

Report on Internal Control Over Financial Reporting

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

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 [2021-001].

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in my audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other 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 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.

Rosie Barndt, CPA, PC

June 14, 2022

GARDINER RESORT AREA DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

INTERNAL CONTROL

2021-001 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 and we have taken the following steps to improve internal controls: a Board member receives the mail, deposits any checks into the bank account, and reviews the bank activity; Board members sign the checks; and the Board reviews the financial statements, including a budget vs actual report during the District's active months. We will 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, 2021

Reference

Status

2020-001

See current year finding 2021-001