

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR’S REPORT

To the Joint Powers Board
Rock Springs – Sweetwater County Airport
Rock Springs, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the Rock Springs – Sweetwater County Airport (the “Airport”), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport’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 Airport’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, and certain pension plan information on pages 20 through 22, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Airport's basic financial statements. The Schedule of Expenditures of Passenger Facility Charges, as required by *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of Passenger Facility Charges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 on our consideration of the Airport'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 Airport'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 Airport's internal control over financial reporting and compliance.


Cheyenne, Wyoming
December 8, 2017

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

MANAGEMENT’S DISCUSSION AND ANALYSIS

Years Ended June 30, 2017, 2016, and 2015

Our discussion and analysis of the Rock Springs – Sweetwater County Airport’s (the “Airport”) financial performance provides an overview of the Airport’s financial activities for the fiscal years ended June 30, 2017, 2016, and 2015. Please review it in conjunction with the Airport’s audited basic financial statements.

Basic Financial Statements

This annual report consists of a series of financial statements. These statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. These are followed by notes to the financial statements. The Airport uses one enterprise fund to report on its financial position and the results of its operations. Enterprise funds are used to account for activities similar to those found in the private sector. Under this method, an economic resources measurement focus and an accrual basis of accounting is used, meaning revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is paid or received.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Airport as a whole. The Statement of Net Position presents information on the Airport’s assets and deferred outflows of resources, and liabilities, and deferred inflows of resources with the difference being reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues and expenses and non-operating revenues and expenses of the Airport for the fiscal year with the difference (the net income or loss) being combined with any capital grants to determine the change in net position for the fiscal year. The change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

These two statements report the Airport’s net position and changes in them. You can think of the Airport’s net position as this: the difference between assets and deferred outflows of resources (what the Airport owns, or the current use of assets that relates to a future period) and its liabilities (what the Airport owes). Net position is one way to measure the Airport’s financial health, or financial position. Over time, increases or decreases in the Airport’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Airport’s community and availability of Federal funding to assess the overall health of the Airport.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

Condensed Financial Information

Condensed financial information from the Statements of Net Position for June 30, 2017, 2016, and 2015 and from the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Current and Other Assets	\$ 1,291,690	\$ 1,038,258	\$ 1,085,967
Capital Assets, net of accumulated depreciation	17,408,902	12,746,835	12,345,423
Total assets	18,700,592	13,785,093	13,431,390
Deferred Outflows of Resources	200,273	234,616	108,945
Current Liabilities	907,861	397,065	355,260
Noncurrent Liabilities	865,074	818,084	655,771
Total liabilities	1,772,935	1,215,149	1,011,031
Deferred Inflows of Resources	35,157	35,854	-
Net Position:			
Net investment in capital assets	17,408,902	12,746,835	12,290,780
Restricted expendable net position	16,962	87,628	377,253
Unrestricted net position (deficit)	(333,091)	(65,757)	(138,729)
Total net position	\$ 17,092,773	\$ 12,768,706	\$ 12,529,304
Operating Revenues:			
Fuel sales	\$ 1,361,983	\$ 1,513,175	\$ 1,817,436
Revenue from aviation services	511,818	482,229	478,270
Total operating revenues	1,873,801	1,995,404	2,295,706
Operating Expenses:			
Fuel	997,043	1,045,725	1,349,930
Aviation services	1,377,818	1,414,856	1,257,137
Other operating expenses	240,628	247,720	221,866
Total operating expenses, excluding depreciation	2,615,489	2,708,301	2,828,933
Depreciation	1,313,955	1,125,810	1,080,124
Total operating expenses, including depreciation	3,929,444	3,834,111	3,909,057
Operating (loss)	(2,055,643)	(1,838,707)	(1,613,351)
Net Nonoperating Revenue	378,807	589,072	757,973
Other Revenue, Expenses, Gains, or Losses	6,000,903	1,489,037	396,240
Increase (decrease) in net position	4,324,067	239,402	(459,138)
Beginning of year net position	12,768,706	12,529,304	13,486,451
Restatement to prior period	-	-	(498,009)
End of year net position	\$ 17,092,773	\$ 12,768,706	\$ 12,529,304

The information contained in the condensed financial information table is used as the basis for the discussion presented on the following pages, surrounding the Airport's activities for the fiscal years ended June 30, 2017, 2016, and 2015.

Assets and Liabilities

Current assets increased by \$324,098 for the year ended June 30, 2017. The increase is primarily due to the increase in Grants Receivable, which increased by \$734,340, offset by a decrease to cash by \$438,640. Current assets increased by \$241,916 for the year ended June 30, 2016.

Current liabilities for the year ended June 30, 2017 increased by \$510,796. Current liabilities for the year ended June 30, 2016 increased by \$41,805. The increase in current liabilities is a result of the timing expenditures incurred for projects.

Long-term liabilities for the year ended June 30, 2017 increased by \$46,990. Long-term liabilities for the year ended June 30, 2016 increased by \$162,313. The increase is due to the Airport's net pension liability of \$865,074, which was recorded for the first time in fiscal year 2015 and increased by \$46,990. The Airport's two capital leases for aviation equipment were paid in full during the year ended June 30, 2016. No new leases were entered into during fiscal year 2017 or 2016.

Net Position

Net position in total increased by \$4,324,067 for the year ended June 30, 2017. Net position in total increased by \$239,402 for the year ended June 30, 2016. The increase is due primarily to capital contributions related to airport improvement grants. The net investment in capital asset balance increased by \$4,662,067 for the year ended June 30, 2017. The net investment in capital asset balance increased by \$456,055 for the year ended June 30, 2016. The increase is primarily related to the Airport receiving more in capital grants than they had in the prior year. The capital assets table on page 6 provides additional details and comparative information for the last three fiscal years on the capital assets of the Airport.

The Airport also has \$16,962 of funds that are restricted as to their use for the year ended June 30, 2017. For fiscal year ended June 30, 2016, the Airport had \$87,268 of funds that were restricted as to their use. These funds related to the passenger facility charges that are charged to passengers of flights departing and arriving in the Rock Springs Airport, in return for their use of the Rock Springs Airport. These funds may only be used for expenditures that directly benefit passengers of the Airport, and may not be used to fund Airport operations.

Due to the net pension liability recorded in fiscal year 2015 under GASB Statement No. 68, the Airport has an unrestricted net position (deficit) of \$(333,091) for the fiscal year ended June 30, 2017 and \$(65,757) for the fiscal year ended June 30, 2016.

Revenues

Operating revenues are those generated from an exchange transaction, such as sales of fuel, or fees charged for the rent of office space to vendors. Operating revenues decreased by \$121,603 for the year ended June 30, 2017. Operating revenues decreased by \$300,302 for the year ended June 30, 2016. The change is due primarily to the change in fuel sales, which decreased by \$151,192 in fiscal year 2017.

Nonoperating revenues are those not involved in exchange transactions, and include taxes, grant funding, passenger facility charges, and investment income. Grant income makes up the majority of the Airport's non-operating revenues, which totaled \$378,807 for the year ended June 30, 2017. Other revenue, expenses, gains, or losses consists of capital contributions. Capital contributions were \$6,000,903 in fiscal year 2017. Non-operating revenues totaled \$589,072 for the year ended June 30, 2016. Capital contributions were \$1,489,037 in fiscal year 2016.

Expenses

Operating expenses increased by \$95,333 for the year ended June 30, 2017. This was primarily caused by an increase in depreciation expense by \$188,145. Operating expenses decreased by \$74,946 for the year ended June 30, 2016. This was primarily caused by the decrease in fuel expense which decreased \$304,205; however, this was offset by an increase in salaries and benefits of \$89,096.

Capital Assets

Net capital assets in the current year increased by \$4,662,067 for the year ended June 30, 2017. Net capital assets increased by \$401,412 for the year ended June 30, 2016. The Airport continued the process of completing the following projects for the year ended June 30, 2017: Rehab Runway, Acquire Aircraft and Rescue and Fire Fighting Vehicles, Grading Safety Area.

The following table provides a summary of the Airport's capital assets by class:

	<u>2017</u>	2016	<u>2015</u>
Nondepreciable Capital Assets			
Construction in process	\$ 979,229	\$ -	\$ 170,623
Total nondepreciable capital assets	<u>979,229</u>	<u>-</u>	<u>170,623</u>
Depreciable Capital Assets			
Buildings and improvements	8,708,366	8,592,916	8,592,916
Runways and improvements	35,846,946	31,079,192	30,203,393
Machinery and equipment	5,316,463	5,202,874	4,380,828
Total depreciable capital assets	<u>49,871,775</u>	<u>44,874,982</u>	<u>43,177,137</u>
Total Capital Assets	50,851,004	44,874,982	43,347,760
Total accumulated depreciation	<u>33,442,102</u>	<u>32,128,147</u>	<u>31,002,337</u>
Capital Assets, net	<u>\$ 17,408,902</u>	<u>\$ 12,746,835</u>	<u>\$ 12,345,423</u>

Requests for Information

This report is designed to provide an overview of the Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: *Rock Springs – Sweetwater County Airport, P.O. Box 1987, Rock Springs, WY 82901.*

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

STATEMENTS OF NET POSITION
June 30, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents, unrestricted (Note 2)	\$ 65,691	\$ 504,331
Deposit escrow	-	4,399
Grants receivable (Note 6)	959,903	225,563
Accounts receivable	187,967	119,522
Inventories	58,523	94,171
Prepaid expenses	2,644	2,644
Total current assets	1,274,728	950,630
Noncurrent Assets		
Capital assets, not being depreciated (Note 4)	979,229	-
Capital assets, net of accumulated depreciation (Note 4)	16,429,673	12,746,835
Cash and cash equivalents, restricted (Notes 2 and 9)	5,005	81,992
Passenger facility charge receivable, restricted (Note 9)	11,957	5,636
Total noncurrent assets	17,425,864	12,834,463
Total assets	18,700,592	13,785,093
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Outflows (Note 5)	200,273	234,616
LIABILITIES		
Current Liabilities		
Accounts payable	822,202	321,059
Accrued expenses	76,286	63,392
Deposits	4,315	7,556
Advanced payments	5,058	5,058
Total current liabilities	907,861	397,065
Long-Term Liabilities		
Net pension liability (Note 5)	865,074	818,084
Total long-term liabilities	865,074	818,084
Total liabilities	1,772,935	1,215,149
DEFERRED INFLOWS OF RESOURCES		
Pension Related Inflows (Note 5)	35,157	35,854
NET POSITION		
Net investment in capital assets	17,408,902	12,746,835
Restricted expendable net position (Note 9)	16,962	87,628
Unrestricted net position (deficit)	(333,091)	(65,757)
Total net position	\$ 17,092,773	\$ 12,768,706

See Notes to Financial Statements.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Fuel sales	\$ 1,361,983	\$ 1,513,175
Airport operation (Note 3)	260,869	231,169
Commercial aviation (Note 3)	250,949	251,060
Total operating revenues	1,873,801	1,995,404
Operating Expenses		
Depreciation (Note 4)	1,313,955	1,125,810
Salaries and benefits	1,076,738	1,085,894
Fuel	997,043	1,045,725
Utilities	174,795	178,057
Maintenance and repairs	126,285	150,905
Administration	227,354	232,231
Miscellaneous	13,274	15,489
Total operating expenses	3,929,444	3,834,111
Operating (loss)	(2,055,643)	(1,838,707)
Nonoperating Revenues (Expenses)		
Grants and local government support (Note 6)	538,320	874,310
Passenger facility expenses, net of fees collected (Note 9)	(170,097)	(289,747)
Parking donations	1,307	4,039
Investment income	1,277	470
Miscellaneous	8,000	-
Total nonoperating revenues	378,807	589,072
(Loss) before other revenue, expenses, gains or losses	(1,676,836)	(1,249,635)
Other Revenue, Expenses, Gains or Losses		
Capital contributions (Note 6)	6,000,903	1,489,037
Increase in net position	4,324,067	239,402
Net Position		
Beginning of year	12,768,706	12,529,304
End of year	\$ 17,092,773	\$ 12,768,706

See Notes to Financial Statements.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from customers and tenants	\$ 1,809,755	\$ 2,066,113
Cash paid to/for:		
Employees	(983,208)	(991,149)
Supplies	(1,457,852)	(1,686,762)
Net cash (used in) operating activities	(631,305)	(611,798)
Cash Flows from Noncapital Financing Activities		
Grants received	350,806	873,229
Parking donations received	1,307	4,039
Net cash provided by noncapital financing activities	352,113	877,268
Cash Flows from Capital and Related Financing Activities		
Construction grants received	5,454,077	1,373,482
Purchase and construction of capital assets	(5,515,371)	(1,387,349)
Principal paid on long-term obligations	-	(54,643)
Passenger facility charges collected	67,460	73,835
Passenger facility charges used	(243,878)	(362,669)
Net cash (used in) capital and related financing activities	(237,712)	(357,344)
Cash Flows from Investing Activities		
Investment income	1,277	470
Net (decrease) in cash and cash equivalents	(515,627)	(91,404)
Cash and Cash Equivalents		
Beginning of year	586,323	677,727
End of year	\$ 70,696	\$ 586,323
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	\$ (2,055,643)	\$ (1,838,707)
Add depreciation expense	1,313,955	1,125,810
Pension liability	46,990	173,399
Deferred outflows - pension	34,343	(125,671)
Deferred inflows - pension	(697)	35,854
Change in current assets and current liabilities:		
(Increase) decrease in:		
Accounts receivable	(68,445)	70,713
Inventories	35,648	1,319
Increase (decrease) in:		
Accounts payable - non-grant	48,492	(66,651)
Accrued expenses	12,894	11,163
Deposits	1,158	973
Net cash (used in) operating activities	\$ (631,305)	\$ (611,798)
Noncash Investing, Capital and Financing Activities		
Purchase of capital assets in accounts payable	\$ 669,236	\$ 208,585

See Notes to Financial Statements.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Reporting Entity and Significant Accounting Policies

Reporting entity: The Rock Springs – Sweetwater County Airport Board was organized to exclusively operate the Rock Springs – Sweetwater County Airport (the “Airport”). The Airport was established to provide aviation services and air transportation to the citizens of the City of Rock Springs, Wyoming and Sweetwater County, Wyoming. For financial reporting purposes, the statements include all activities and funds that are controlled by or are dependent on the Airport Board.

The Airport is the basic level of government which has financial accountability and control over all activities related to the Airport located in Sweetwater County, Wyoming. The Board receives funding from local, state, and Federal government sources and must comply with the requirements of these funding sources.

However, the Board is not included in any other governmental reporting entity, as defined by the Governmental Accounting Standards Board (GASB) which establishes accounting principles generally accepted in the United States of America for state and local governmental entities (U.S. GAAP), since Board members have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units, as defined in the GASB pronouncement, which are included in the Airport’s reporting entity.

Financial reporting: The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Airport, the reporting entity. The Airport accounts for its operations as an enterprise fund.

Operating revenues and expenses result from providing aviation and transportation services to the public. All other revenues and expenses are reported as nonoperating revenues and expenses.

Grants and contributions: Grants and contributions received which may be utilized for either operations or capital expenditures are recognized as nonoperating revenue in the accounting period in which they are earned or become measurable.

Property and equipment: Property and equipment are recorded at cost if purchased or, if received as a donation, at the fair market value at the date of the gift. Depreciation on the assets is computed using the straight-line method over the estimated useful lives of the assets.

	<u>Years</u>
Buildings and improvements	20-25
Runways and improvements	15-20
Machinery and equipment	5-10

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Vacation and sick leave: Employees are allowed two to four weeks of vacation per year depending on their length of service. Unused vacation up to two weeks plus the annual accrual may be carried over. All vacation time is paid out upon termination or retirement. Sick leave accumulates at the rate of one working day for each full month of service to a maximum of 120 days. Employees are entitled to receive 25% of their accumulated sick leave upon termination. Therefore, 25% of the accumulated sick leave and 100% vacation leave are recorded as a liability in these financial statements.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents: The Airport considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Bad debts: The Airport utilizes the direct write-off method for bad debts. When the Board deems a receivable to be uncollectible, it is recorded as an expense. Therefore, no allowance for uncollectible accounts has been provided in these financial statements.

Revenue recognition: Revenue is recognized at the time of sale or when lease payments are due.

Advertising costs: The Airport's policy is to expense the cost of advertising as the expense is incurred.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Net position: Net position represents the difference between assets and liabilities and is classified into three categories:

Net investment in capital assets: This represents the Airport's total investment in capital assets, net of accumulated depreciation, and outstanding debt and capital lease obligations related to the purchase or construction of those capital assets.

Restricted net assets: Restricted net assets include resources in which the Airport is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted net position: Unrestricted net assets represent resources derived from the Airport's operations. These resources are used for transactions relating to the educational and general operations of the Airport, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Defined benefit pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS's fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Cash and Cash Equivalents

State Statutes authorize the Airport to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the U.S. Government, and bank certificates of deposit. State Statutes also require that the Airport's deposits in excess of the Federal depository insurance amount be collateralized.

As of June 30, 2017 and 2016, the carrying amount of the Airport's bank deposits, including checking and savings, was \$70,696 and \$586,323, respectively, and the bank balance was \$372,679 and \$589,168, respectively. The bank balances at June 30, 2017 and 2016 were covered by FDIC insurance or pledged collateral.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

Note 3. Leases and Lease Income, Subsequent Event

The Airport leases hangars to various entities and individuals. These leases are primarily for one-year terms, expiring June 30, 2017, and all are accounted for as operating leases. In addition, the Airport leases space for advertising to various entities. The leases are primarily for one-year terms and all are accounted for as operating leases.

After year end, the Airport has entered into lease agreements with two rental car companies for space in the terminal and parking spaces for rental vehicles. Rental fees for each company in fiscal year 2018 will be \$75,567 and \$51,035, respectively. Rental fees for each year subsequent to that will be 10% of gross receipts or 10% of 85% of the concessionaire's previous year's gross revenue, whichever is greater, plus an additional amount for counter and office space. The leases are cancelable by the companies only if normal use of the airport is suspended for a period exceeding 60 days. The leases are also cancelable if there is an inability to use the Airport for a consecutive six months due to tower regulations, fire, earthquake, or similar acts of God, or public enemy or the lawful assumption by the U.S. Government of the operations of the Airport for a period of greater than six months. The total fees for these rental car company leases were \$136,652 and \$142,799 for the years ended June 30, 2017 and 2016, respectively. Subsequent to year end, the Airport entered into lease agreements with the rental car facilities for a car wash facility. The agreements call for monthly lease payments of \$750.

The Airport has entered into a lease agreement with the U.S. Government for office space in the Airport terminal. The lease requires monthly payments of \$1,758. The U.S. Government can terminate the lease with 90 days' notice.

The Airport has entered into a lease agreement with an air service for space in the Airport terminal. The air service is required to pay \$35 per month through March 31, 2017.

In April, the Airport renewed a lease agreement with an air service for space in the Airport terminal. The agreement calls for a base monthly rental amount of \$5,668 until June 30, 2017. For the next twelve months, the base monthly rental increases 5% and then increases 3% annually for the two years after that. The agreement expires on June 30, 2020.

The Airport has entered into a lease agreement with an air service for space in the Airport terminal. The air service is required to pay \$76 per month through March 31, 2020.

The Airport entered into a lease agreement with an air service for office space in the Airport terminal. When the lease was renewed on June 1, 2015, the air service opted to lease more space and is required to pay \$5,082 per month, with a 3% increase on June 1st each year through May 31, 2020.

The total fees for these leases were \$329,423 and \$309,234 for the years ended June 30, 2017 and 2016, respectively.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

The minimum future rental income on all leases is as follows:

Year ending June 30,	
2018	\$ 392,366
2019	153,073
2020	150,826
2021	36,376
2022	35,695
	<u>\$ 768,336</u>

Note 4. Property and Equipment

Following is a summary of changes in property and equipment:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable Capital Assets					
Construction in process	\$ -	\$ 979,229	\$ -	\$ -	\$ 979,229
Total nondepreciable capital assets	-	979,229	-	-	979,229
Depreciable Capital Assets					
Buildings and improvements	8,592,916	115,450	-	-	8,708,366
Runways and improvements	31,079,192	4,767,754	-	-	35,846,946
Machinery and equipment	5,202,874	113,589	-	-	5,316,463
Total depreciable capital assets	44,874,982	4,996,793	-	-	49,871,775
Less accumulated depreciation	32,128,147	1,313,955	-	-	33,442,102
Capital assets, net	\$ 12,746,835	\$ 4,662,067	\$ -	\$ -	\$ 17,408,902
	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Nondepreciable Capital Assets					
Construction in process	\$ 170,623	\$ -	\$ -	\$ (170,623)	\$ -
Total nondepreciable capital assets	170,623	-	-	(170,623)	-
Depreciable Capital Assets					
Buildings and improvements	8,592,916	-	-	-	8,592,916
Runways and improvements	30,203,393	872,231	-	3,568	31,079,192
Machinery and equipment	4,380,828	654,991	-	167,055	5,202,874
	43,177,137	1,527,222	-	170,623	44,874,982
Less accumulated depreciation	31,002,337	1,125,810	-	-	32,128,147
Capital assets, net	\$ 12,345,423	\$ 401,412	\$ -	\$ -	\$ 12,746,835

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

Note 5. Retirement Commitment – Wyoming Retirement System

Plan description: Substantially all employees of the Airport are provided with pensions through the Public Employee Pension Plan – a statewide cost-sharing multiple-employer defined benefit pension plan administered by the Wyoming Retirement System (WRS). The authority to establish and amend benefits and contributions rates rests with the Legislature of the State of Wyoming. WRS is granted the authority to administer the Plan by Wyoming State Statutes 9-3-401 through 432. WRS issues a publicly available financial report that can be obtained at <http://retirement.state.wy.us/home/index.html>.

Benefits provided: The determination of retirement benefits is dependent upon the employee's initial employment date.

Service Retirement Tier 1: Full retirement at age 60 or qualifies for the Rule of 85. Early retirement is permitted at age 50 or 25 years of service. Formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average over 15 years.

Service Retirement Tier 2: Full retirement at age 65 or qualifies for the Rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties. To qualify, the member must have at least 10 years of service and must be "in service" at the time of application for disability retirement. Upon retirement for a partial disability, the member receives a monthly disability retirement benefit for the period of her/her disability equal to 50% of the normal benefit payable to the member, as if the member was eligible for normal retirement benefits. Upon retirement for a total disability, the member receives a monthly disability benefit equal to 100% of his service retirement benefit as if the member was eligible for normal retirement benefits. Disability benefits are payable for the life of the member or until death.

Survivor's Benefits: Certain surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

Contributions: Per Title 9-3-412 and 413 of State Statutes, for the year ended June 30, 2017, member contributions were required to be 8.25% of compensation and employer contributions were required to be 8.37% of compensation. In accordance with Title 9-3-412(c)(ii) of State Statutes, the Airport has elected to pay the members contribution in addition to the employers contribution. Total contributions to the pension plan from the Airport were \$108,111 and \$107,982 for the years ended June 30, 2017 and 2016, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2017, the Airport reported a liability of \$865,074 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. The Airport's proportion of the net pension liability was based on the relationship of the Airport's total contributions to the plan for the year ended December 31, 2016 to the contributions of all participating employers for the same period. At December 31, 2016, the Airport's proportion was 0.0357838%, which was an increase from its December 31, 2015 proportion of 0.0351206800%.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016, the Airport recognized pension expense of \$134,845 and \$134,373, respectively. At June 30, 2017 and 2016, the Airport reported deferred outflows and inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 22,975
Net difference between projected and actual earnings on pension plan investments	158,270	-
Changes in proportionate share of contributions	14,548	12,182
Contributions subsequent to the measurement date	27,455	-
	<u>\$ 200,273</u>	<u>\$ 35,157</u>

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,307
Net difference between projected and actual earnings on pension plan investments	201,868	-
Changes in proportionate share of contributions	6,168	18,547
Contributions subsequent to the measurement date	26,580	-
	<u>\$ 234,616</u>	<u>\$ 35,854</u>

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

An amount of \$27,455 reported as deferred outflows of resources related to pensions resulting from the Airport's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$ 47,013
2019	45,056
2020	43,049
2021	2,543
	<u>\$ 137,661</u>

Actuarial assumptions: The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25% – 6.0%, including inflation
Payroll growth rate	4.25%
Investment rate of return	7.75%, net of pension plan investment expense

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return	Long-Term Expected Arithmetic Rate of Return
Cash	0.00%	-0.20%	-0.20%
Fixed income	20.00%	1.43%	1.95%
Equity	45.00%	5.72%	7.73%
Marketable alternatives	17.50%	3.03%	3.73%
Private markets	17.50%	5.84%	7.14%
	<u>100.00%</u>	<u>4.76%</u>	<u>6.38%</u>

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

Experience analysis: An experience study was conducted on behalf of all WRS's plans covering the five-year period ended December 31, 2011. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination, and disability) and proposed assumptions consistent with the findings.

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the Airport's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 1,242,534	\$ 865,074	\$ 548,042

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <http://retirement.state.wy.us/home/index.html>.

Note 6. Grants, Capital Contributions, and Local Government Support

The Airport receives a substantial amount of its support from grant programs administered by the U.S. Department of Transportation and the Wyoming Department of Transportation. In addition, the Airport receives funding from the City of Rock Springs and Sweetwater County. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the Airport's activities.

Under the terms of the Federal and state grants, periodic audits are required and certain costs may be selected and examined to ensure they are appropriate expenditures under the terms of the grants. Such audits may lead to requests for reimbursement for disallowed expenditures. Based upon prior experience, Airport management believes such disallowances, if any, will be immaterial.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

The following is a schedule of total grants, capital contributions, and local government support earned:

	<u>2017</u>	<u>2016</u>
U.S. Department of Transportation	\$ 4,782,774	\$ 1,432,425
U.S. Department of Homeland Security	16,708	18,450
Wyoming Aeronautics Commission	957,870	92,225
City of Rock Springs	260,624	273,408
Sweetwater County	521,247	546,839
	<u>\$ 6,539,223</u>	<u>\$ 2,363,347</u>

Note 7. Risk Management

The Airport is subject to risk of loss from various events, including torts, theft, damage to assets, business interruption, errors and omissions, and job-related injuries to employees, as well as acts of God. The Airport mitigates its risk associated with the above through commercial insurance policies for liability insurance, purchase of commercial property insurance policies, and workers' compensation coverage. There has been no significant reduction in coverage against these losses from year to year.

Note 8. Commitments and Subsequent Events

As of June 30, 2017, the Airport entered into several construction/engineering contracts resulting in the commitments for future capital expenditures. The major projects are listed below. Although portions of these projects have been completed and capitalized during 2017, the amounts below represent the activity pertaining to the Airport's portion of the contract as a whole.

	Total	Expended to Date at June 30, 2017	Total Commitment at June 30, 2017
	<u>Contract</u>		
Seal Coat and Mark Pavements	\$ 174,530	\$ 11,500	\$ 163,030
Replacement of General Aviation Terminal and Hangar	5,546,253	967,729	4,578,524
HVAC Rehabilitation	237,220	229,975	7,245
	<u>\$ 5,958,003</u>	<u>\$ 1,209,204</u>	<u>\$ 4,748,799</u>

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTES TO FINANCIAL STATEMENTS

The Airport has entered into the following contracts subsequent to June 30, 2017:

Solar Farm	\$ 110,843
State Crack Seal Project	<u>47,839</u>
	<u>\$ 158,682</u>

The funding for the Airport's commitments will come through a combination of Federal, state, and local resources.

Note 9. Restricted Net Position

The Airport receives revenue in the form of a passenger facility charge. The passenger facility charge must be approved by the Federal Aviation Association. The passenger facility charge is restricted for expenditures that directly benefit passengers of the Airport and cannot be used to fund Airport operations. The restricted net position was \$16,962 and \$87,628 at June 30, 2017 and 2016, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

**SCHEDULE OF THE AIRPORT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Public Employee Pension Plan

Last 4 Fiscal Years*

	Airport's proportion of the net pension liability	Airport's proportionate share of the net pension liability	Airport's covered payroll	Airport's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.035723851%	\$ 543,146	\$ 611,626	88.80%	81.10%
2015	0.036532440%	644,685	632,798	101.88%	79.08%
2016	0.035120680%	818,084	626,137	130.66%	73.40%
2017	0.035783800%	865,074	640,034	135.16%	73.42%

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This schedule is to be built prospectively until it contains ten years of data.*

See Note to Required Supplementary Information.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF THE AIRPORT'S CONTRIBUTIONS

Public Employee Pension Plan

Last 4 Fiscal Years*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll pension liability
2014	\$ 44,681	\$ 44,681	\$ -	\$ 627,549	7.12%
2015	48,326	48,326	-	634,193	7.62%
2016	54,381	54,381	-	649,713	8.37%
2017	54,446	54,446	-	650,490	8.37%

* This schedule is to be built prospectively until it contains ten years of data.

See Note to Required Supplementary Information.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Retirement Commitment – Wyoming Retirement System

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

SUPPLEMENTARY INFORMATION

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Transportation			
Passed through Wyoming Aeronautics Commission:			
Airport Improvement Program	20.106	3-56-0025-35	\$ 4,470,162
Airport Improvement Program	20.106	3-56-0025-36	<u>312,612</u>
Total U.S. Department of Transportation			4,782,774
U.S. Department of Homeland Security			
Law Enforcement Officer Reimbursement			
Agreement Program	97.U01	HSTS02-16-H-SLR657	<u>16,708</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,799,482</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal award activity of Rock Springs – Sweetwater County Airport (the “Airport”) under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Airport, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Airport.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Airport did not provide any amounts to subrecipients. The Airport did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

As of June 30, 2017

Federal Grantor Pass-Through Grantor/ Program Title	Approved Amount	Passenger Facility Charges June 30, 2016	Passenger Facility Charges and Interest Collected	Assets Released from Restriction	Transfers Outstanding to Airport's Operating Account	Passenger Facility Charges June 30, 2017
Passenger Facility Charge Program:						
2015 Application	\$ 688,128	\$ 87,628	\$ 73,784	\$ (243,878)	\$ 99,428	\$ 16,962

NOTES TO SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

Note 1. General

The accompanying Schedule of Expenditures of Passenger Facility Charges (the “Schedule”) presents the activity of the passenger facility charge program of the Rock Springs Sweetwater County Airport (the “Airport”) for the year ended June 30, 2017. All passenger facility charge revenue and expenditures are included in the accompanying Schedule.

Note 2. Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting and revenue is recognized when earned and expenditures are recognized when the related obligation is incurred. The information in this Schedule is presented in accordance with the requirements of the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration. Therefore, some amounts presented in this Schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**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 Joint Powers Board
Rock Springs – Sweetwater County Airport
Rock Springs, Wyoming

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 business-type activities of the Rock Springs – Sweetwater County Airport (the “Airport”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Airport’s basic financial statements, and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport’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 Airport’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. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

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

The Airport's Response to Findings

The Airport's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Airport's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cheyenne, Wyoming
December 8, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To the Joint Powers Board
Rock Springs – Sweetwater County Airport
Rock Springs, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Rock Springs – Sweetwater County Airport's (the "Airport") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Airport's major Federal programs for the year ended June 30, 2017. The Airport's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Airport's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on Each Major Federal Program

In our opinion, the Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on each major Federal program is not modified with respect to these matters.

The Airport's response to the noncompliance findings identified in our audit are described in Exhibit I – Corrective Action Plans. The Airport's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be significant deficiencies.

The Airport's responses to the internal control over compliance findings identified in our audit are described in the accompanying Exhibit I – Corrective Action Plans. The Airport's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the audit requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cheyenne, Wyoming
December 8, 2017

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

I. SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS

2017-001: Segregation of Duties

Criteria: Internal controls are designed to safeguard assets and help prevent loss from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties.

Condition/Context: Rock Springs Sweetwater County Airport personnel currently perform incompatible duties.

Cash receipts – Collections of cash receipts are mainly made by one individual. The Business Manager receives cash payments in the mail, prepares the deposit slip, physically makes the deposit at the bank, and also records the receipt of cash.

Journal entries – The Business Manager has the ability to prepare and post journal entries prior to a review of the journal entry occurring. In addition, supporting documentation was not available for all journal entries selected for testing.

Effect: Without properly designed internal control systems, the Airport could be susceptible to misappropriations of assets (theft of money) and/or inaccurate financial reporting.

Cause: The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records. While we recognize the Airport is not large enough to permit a segregation of duties for an effective system of internal accounting control, we believe it is important that officials be aware that the conditions do exist.

Recommendation: We recommend that current internal control policies and procedures be scrutinized to ensure that proper segregation is obtained when possible. We also recommend that the Contract Accountant continue to reconcile the monthly bank statements and to have the board review the monthly financial statements.

Views of responsible officials and planned corrective actions: Management and the Board are aware of the segregation of duties issues regarding the Business Manager's position. Due to the small size of the Airport, management has hired a contract accountant to provide additional oversight to this role and the Board takes an active role in the financial management of the Airport and believes the proper controls are in place to mitigate risks associated with the segregation of duties issue noted above.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-002: Airport Improvement Program – Reporting

Catalog of Federal Assistance (CFDA) Number and Title: #20.106 Airport Improvement Program
Federal Agency Name: U.S. Department of Transportation
Pass-Through Entity Name (if applicable): Wyoming Department of Transportation

Condition: During testing of compliance with reporting requirements, we noted that the 2016 FAA Form 5100-127, *Operating and Financial Summary*, was submitted by the required December 31, 2016 deadline with unaudited numbers. However, after the June 30, 2016 audit was completed and issued, an amended report containing audited numbers was not filed.

Criteria: Section 111 of the Federal Aviation Administration Authorization Act of 1994, Public Law 103-305 (August 23, 1994) (FAA Authorization Act of 1994), requires airports to file financial information with the FAA through the filing of FAA Form 5100-127, *Operating and Financial Summary*.

Per review of the June 23, 2011 Advisory Circular No. 150/5100-19D, if the Airport cannot obtain audited information in time to meet the 120-day due date, the Airport may request an extension. If the audited information is not available within the extension period, the Airport should submit unaudited data. The Airport may then submit audited information when it becomes available. We noted the Airport did submit unaudited data by the deadline; however, the amended report was not submitted.

Cause: The Airport did not have a tracking system in place to ensure the amended report was filed with the FAA.

Effect: Failure to submit complete, accurate, and timely reports may indicate the need for closer monitoring by the Federal agency or may result in possible award delays or enforcement actions.

Recommendation: We recommend that the Airport implement controls to ensure amended reports, as necessary, are submitted in a timely manner going forward. We further recommend that the 2016 report be amended and submitted with the audited numbers as quickly as possible.

Questioned Costs: \$0

Views of responsible officials and planned corrective actions: Management concurs with the finding.

Planned Corrective Actions: See Exhibit I.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2017**

FINDING	STATUS
<p><u>2016-001: Segregation of Duties</u></p> <p>Condition/Context: Rock Springs Sweetwater County Airport personnel currently perform incompatible duties.</p> <p><i>Cash receipts</i> – Collections of cash receipts are mainly made by one individual. The Business Manager receives cash payments in the mail, prepares the deposit slip, physically makes the deposit at the bank, and also records the receipt of cash.</p> <p><i>Journal entries</i> – The Business Manager has the ability to prepare and post journal entries prior to a review of the journal entry occurring. In addition, supporting documentation was not available for all journal entries selected for testing.</p>	<p>Management and the Board are aware of the segregation of duties issues regarding the Business Manager’s position. Due to the small size of the Airport, management has hired a contract accountant to provide additional oversight to this role and the Board takes an active role in the financial management of the Airport and believes the proper controls are in place to mitigate risks associated with the segregation of duties issue noted above.</p> <p>Auditor’s Comment: Based on testing of cash receipts and journal entries throughout the audit, we determined the condition still exists. As such, see finding at 2017-001.</p>

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER
FACILITY CHARGE (PFC) PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE**

To the Joint Powers Board
Rock Springs – Sweetwater County Airport
Rock Springs, Wyoming

Report on Compliance of Passenger Facility Charges

We have audited the Rock Springs – Sweetwater County Airport’s (the “Airport”) compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the “Guide”), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2017.

Management’s Responsibility

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, applicable to the passenger facility charge program.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Airport’s compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Airport’s compliance with those requirements.

Opinion on the Passenger Facility Charge Program

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the Guide, this report is not suitable for any other purpose.



Cheyenne, Wyoming
December 8, 2017

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

**SCHEDULE OF PASSENGER FACILITY CHARGES
FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

There were no Passenger Facility Charges findings in the current year.

ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

**SUMMARY SCHEDULE OF PRIOR YEAR
PASSENGER FACILITY CHARGES FINDINGS
Year Ended June 30, 2017**

There were no Passenger Facility Charges findings in the prior year.

EXHIBIT I
CORRECTIVE ACTION PLANS

ROCK SPRINGS - SWEETWATER COUNTY

A I R P O R T

Condition – During testing of compliance with reporting requirements, we noted that the 2016 FAA Form 5100-127, *Operating and Financial Summary*, was submitted by the required December 31, 2016 deadline with unaudited numbers. However, after the June 30, 2016 audit was completed and issued, an amended report containing audited numbers was not filed.

Recommendation – We recommend that the Airport implement controls to ensure amended reports, as necessary, are submitted in a timely manner going forward. We further recommend that the 2016 report be amended and submitted with the audited numbers as quickly as possible

Corrective Action Plan - In the future, assuming the audit report is complete and received by December 31 of each year, the Business Manager will prepare FAA Form 5100-127 on a timely basis.

Contact: Shannon Lucero, Business Manager

Anticipated Completion Date: June 30, 2018

