

SOUTHWEST WYOMING REGIONAL AIRPORT

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Joint Powers Board
Southwest Wyoming Regional Airport (SWRA)
Rock Springs, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Southwest Wyoming Regional Airport (the "Airport"), as of and for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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 22 through 24, 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 (GASB) 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, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Passenger Facility Charges is 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 Passenger Facility Charges is 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 October 9, 2019 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.

McGee, Hearne & Paisy, LLP

Cheyenne, Wyoming
October 9, 2019

Southwest Wyoming Regional Airport (SWRA)

Management's Discussion and Analysis

Years Ended June 30, 2019 and 2018

Our discussion and analysis of the financial performance of the Southwest Wyoming Regional Airport (the "Airport") provides an overview of the Airport's financial activities for the fiscal years ended June 30, 2019 and 2018. 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 and deferred inflows of resources (what the Airport owes or the current acquisition of assets that relates to a future period). 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 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 balance at the end of the current fiscal year.

Condensed Financial Information

Condensed financial information from the Statements of Net Position for June 30, 2019, 2018, and 2017 and from the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019, 2018, and 2017 are as follows:

	2019	2018	2017
Current and Other Assets	\$ 933,061	\$ 1,247,328	\$ 1,291,690
Capital Assets, net of accumulated depreciation	20,253,778	21,218,458	17,408,902
Total assets	21,186,839	22,465,786	18,700,592
Deferred Outflows of Resources	328,410	149,807	200,273
Current Liabilities	304,636	864,465	907,861
Noncurrent Liabilities	1,259,261	929,007	865,074
Total liabilities	1,563,897	1,793,472	1,772,935
Deferred Inflows of Resources	29,253	72,224	35,157
Net Position:			
Net investment in capital assets	20,070,529	20,541,743	17,408,902
Restricted expendable net position	23,130	24,621	16,962
Unrestricted net position (deficit)	(171,560)	183,533	(333,091)
Total net position	\$ 19,922,099	\$ 20,749,897	\$ 17,092,773
Operating Revenues:			
Fuel sales	\$ 2,155,342	\$ 1,818,797	\$ 1,361,983
Revenue from aviation services	727,219	593,164	511,818
Total operating revenues	2,882,561	2,411,961	1,873,801
Operating Expenses:			
Fuel	1,613,039	1,325,009	997,043
Aviation services	1,526,559	1,419,552	1,377,818
Other operating expenses	397,714	254,599	240,628
Total operating expenses, excluding depreciation	3,537,312	2,999,160	2,615,489
Depreciation	1,668,812	1,607,122	1,313,955
Total operating expenses, including depreciation	5,206,124	4,606,282	3,929,444
Operating (loss)	(2,323,563)	(2,194,321)	(2,055,643)
Net Nonoperating Revenue	1,327,676	830,849	378,807
Other Revenue, Expenses, Gains, or Losses	168,089	5,020,596	6,000,903
Increase in net position	(827,798)	3,657,124	4,324,067
Beginning of Year Net Position	20,749,897	17,092,773	12,768,706
End of Year Net Position	\$ 19,922,099	\$ 20,749,897	\$ 17,092,773

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, 2019 and 2018.

Assets and Liabilities

Current and other assets decreased by \$314,267 for the year ended June 30, 2019. The decrease is primarily due to the decrease in Grants Receivable, which decreased by \$504,827, offset by an increase to unrestricted cash of \$207,982. Current and other assets increased by \$44,362 for the year ended June 30, 2018. The decrease in grants receivable is attributable to the close-out of the grants in a prior year and minimal spending on new grants in the current year.

Current liabilities for the year ended June 30, 2019 decreased by \$559,829. Current liabilities for the year ended June 30, 2018 decreased by \$43,396. The increase/decrease in current liabilities is a result of the timing expenditures incurred for projects. The Airport's largest airport improvement project was substantially complete as of June 30, 2018. The Airport's did not have any substantially large projects on-going at June 30, 2019.

Long-term liabilities for the year ended June 30, 2019 increased by \$330,254. Long-term liabilities for the year ended June 30, 2018 increased by \$63,933. The increase/decrease is due to the Airport's net pension liability, which fluctuates year to year. There was one new note payable recognized during fiscal year 2018.

Net Position

Net position in total decreased by \$827,798 for the year ended June 30, 2019. Net position in total increased by \$3,657,124 for the year ended June 30, 2018. The decrease for fiscal year 2019 is due primarily due to decreased Federal grants for airport improvements. The Airport expects to receive additional Federal grants in future periods. For fiscal year 2018, the increase is primarily related to increased grants and local support, and an increase in net passenger facility activity.

The Airport also has \$23,130 of funds that are restricted as to their use for the year ended June 30, 2019. For fiscal year ended June 30, 2018, the Airport had \$24,621 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 at the 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 accordance with Governmental Accounting Standards Board (GASB) Standards, the Airport has an unrestricted net position (deficit) of \$(171,560) for the fiscal year ended June 30, 2019 and \$183,533 for the fiscal year ended June 30, 2018.

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 increased by \$470,600 for the year ended June 30, 2019. Operating revenues increased by \$538,160 for the year ended June 30, 2018. The change is due primarily to the change in fuel sales, which increased by \$336,545 in fiscal year 2019 and \$456,814 in fiscal year 2018.

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 \$1,327,676 for the year ended June 30, 2019. Other revenue, expenses, gains, or losses consist of capital contributions. Capital contributions were \$168,089 in fiscal year 2019. Non-operating revenues totaled \$830,849 for the year ended June 30, 2018. Capital contributions were \$5,020,596 in fiscal year 2018.

Expenses

Operating expenses increased by \$599,842 for the year ended June 30, 2019. This was primarily caused by an increase in fuel expense of \$288,030, as well as an increase in grants receivable written off of \$100,377. Operating expenses increased by \$676,838 for the year ended June 30, 2018. This was primarily caused by the increase in depreciation expense, which increased \$293,167, as well as an increase in fuel expense of \$327,966.

Capital Assets

Net capital assets in the current year decreased by \$964,680 for the year ended June 30, 2019. This was due to depreciation of \$1,668,812 as compared to additions of 704,132 for the year ended June 30, 2019. Net capital assets increased by \$3,809,556 for the year ended June 30, 2018. The following projects were substantially completed as of June 30, 2018 and operational for June 30, 2019: Rehab Runway, Acquire Aircraft and Rescue and Fire Fighting Vehicles, Grading Safety Area. For more information, see Note 4.

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

	2019	2018	2017
Nondepreciable Capital Assets			
Construction in process	\$ 476,746	\$ 39,781	\$ 979,229
Depreciable Capital Assets			
Buildings and improvements	14,844,113	14,754,739	8,708,366
Runways and improvements	36,122,632	36,052,501	35,846,946
Machinery and equipment	5,528,323	5,420,661	5,316,463
Total depreciable capital assets	56,495,068	56,227,901	49,871,775
Total Capital Assets	56,971,814	56,267,682	50,851,004
Total accumulated depreciation	36,718,036	35,049,224	33,442,102
Capital Assets, net	\$ 20,253,778	\$ 21,218,458	\$ 17,408,902

Note Payable

In December 2017, the Airport purchased equipment with a loan. The original amount was for \$105,000; the loan balances as of June 30, 2019 and 2018 were \$75,269 and \$95,364, respectively. For more information, see Note 10.

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 *Southwest Wyoming Regional Airport, P.O. Box 1987, Rock Springs, Wyoming 82901*.

SOUTHWEST WYOMING REGIONAL AIRPORT

STATEMENTS OF NET POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash, unrestricted (Note 2)	\$ 632,201	\$ 424,219
Grants receivable (Note 6)	1,552	506,379
Accounts receivable	170,307	173,509
Inventories	103,227	115,956
Prepaid expenses	2,644	2,644
Total current assets	909,931	1,222,707
Noncurrent Assets		
Capital assets, not being depreciated (Note 4)	476,746	39,781
Capital assets, net of accumulated depreciation (Note 4)	19,777,032	21,178,677
Cash, restricted (Notes 2 and 9)	5,000	5,001
Passenger facility charge receivable, restricted (Note 9)	18,130	19,620
Total noncurrent assets	20,276,908	21,243,079
Total assets	21,186,839	22,465,786
DEFERRED OUTFLOWS OF RESOURCES		
Pension-Related Outflows (Note 5)	328,410	149,807
LIABILITIES		
Current Liabilities		
Note payable, current (Note 10)	20,485	19,581
Accounts payable, including retainage payable of \$0 and \$505,147, respectively	180,088	736,397
Accrued expenses	94,034	96,431
Deposits	4,971	6,998
Advanced payments	5,058	5,058
Total current liabilities	304,636	864,465
Long-Term Liabilities		
Note payable, noncurrent (Note 10)	54,784	75,783
Net pension liability (Note 5)	1,204,477	853,224
Total long-term liabilities	1,259,261	929,007
Total liabilities	1,563,897	1,793,472
DEFERRED INFLOWS OF RESOURCES		
Pension-Related Inflows (Note 5)	29,253	72,224
NET POSITION		
Net investment in capital assets	20,070,529	20,541,743
Restricted expendable net position (Note 9)	23,130	24,621
Unrestricted net position (deficit)	(171,560)	183,533
Total net position	\$ 19,922,099	\$ 20,749,897

See Notes to Financial Statements.

SOUTHWEST WYOMING REGIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Fuel sales	\$ 2,155,342	\$ 1,818,797
Airport operation (Note 3)	410,001	302,524
Commercial aviation (Note 3)	317,218	290,640
Total operating revenues	2,882,561	2,411,961
Operating Expenses		
Depreciation (Note 4)	1,668,812	1,607,122
Salaries and benefits	1,237,079	1,123,300
Fuel	1,613,039	1,325,009
Utilities	147,437	150,824
Maintenance and repairs	142,043	145,428
Administration	279,408	244,028
Bad debt	100,377	-
Miscellaneous	17,929	10,571
Total operating expenses	5,206,124	4,606,282
Operating (loss)	(2,323,563)	(2,194,321)
Nonoperating Revenues (Expenses)		
Grants and local government support (Note 6)	1,189,279	735,933
Passenger facility expenses, net of fees collected (Note 9)	116,326	87,072
Parking donations	2,311	1,436
Investment income	10,910	5,908
Miscellaneous	8,850	500
Total nonoperating revenues	1,327,676	830,849
(Loss) before other revenue, expenses, gains, or losses	(995,887)	(1,363,472)
Other Revenue, Expenses, Gains or Losses		
Capital contributions (Note 6)	168,089	5,020,596
Increase (decrease) in net position	(827,798)	3,657,124
Net Position		
Beginning of year	20,749,897	17,092,773
End of year	\$ 19,922,099	\$ 20,749,897

See Notes to Financial Statements.

SOUTHWEST WYOMING REGIONAL AIRPORT

STATEMENTS OF CASH FLOWS Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from customers and tenants	\$ 2,885,763	\$ 2,428,819
Cash paid to:		
Employees	(1,109,797)	(1,027,472)
Supplies	(2,272,092)	(1,930,930)
Net cash (used in) operating activities	(496,126)	(529,583)
Cash Flows from Noncapital Financing Activities		
Grants received	1,189,279	735,933
Parking donations received	2,311	1,436
Miscellaneous received	151,350	500
Net cash provided by noncapital financing activities	1,342,940	737,869
Cash Flows from Capital and Related Financing Activities		
Construction grants received	430,039	5,474,120
Purchase and construction of capital assets	(1,177,503)	(5,400,365)
Principal payments on long-term obligations	(20,095)	(8,834)
Passenger facility charges collected	117,816	86,654
Passenger facility charges used	-	(7,245)
Net cash provided by (used in) capital and related financing activities	(649,743)	144,330
Cash Flows from Investing Activities		
Investment income	10,910	5,908
Net increase in cash	207,981	358,524
Cash		
Beginning of year	429,220	70,696
End of year	\$ 637,201	\$ 429,220

Continued

SOUTHWEST WYOMING REGIONAL AIRPORT

STATEMENTS OF CASH FLOWS, *Continued* Years Ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating (Loss) to Net Cash (Used in)		
Operating Activities:		
Operating (loss)	\$ (2,323,563)	\$ (2,194,321)
Adjustments to reconcile operating (loss)		
to net cash (used in) operating activities:		
Depreciation expense	1,668,812	1,607,122
Bad debt	100,377	-
Decrease in accounts receivable	3,202	14,458
(Increase) decrease in inventories	12,729	(57,433)
Increase (decrease) in accounts payable - non-capital	(82,938)	2,080
Increase (decrease) in accrued expenses	(2,397)	20,145
Increase (decrease) in deposits	(2,027)	2,683
Increase (decrease) in net pension liability	351,253	(11,850)
(Increase) decrease in deferred outflows - pension	(178,603)	50,466
Increase (decrease) in deferred inflows - pension	(42,971)	37,067
Total adjustments	1,827,437	1,664,738
Net cash (used in) operating activities	\$ (496,126)	\$ (529,583)
Noncash Investing, Capital and Financing Activities		
Purchase of capital assets in accounts payable	\$ 107,980	\$ 581,351
Purchase of capital assets with long-term debt	-	104,198

See Notes to Financial Statements.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Reporting Entity and Significant Accounting Policies

Reporting entity: The Rock Springs – Sweetwater County Joint Powers Airport Board was organized to exclusively operate the Rock Springs – Sweetwater County Airport. Effective February 1, 2018, the Rock Springs – Sweetwater County Joint Powers Airport Board and the Rock Springs – Sweetwater County Airport was renamed the Southwest Wyoming Regional 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 upon the Airport.

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 Airport receives funding from local, state, and Federal government sources and must comply with the requirements of these funding sources.

However, the Airport 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 Airport 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.

Capital assets: Capital assets 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 - 39
Runways and improvements	15 - 20
Machinery and equipment	5 - 10

Routine maintenance and repairs are charged to operating expense in the year incurred.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

Impairments: The Airport evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The Airport will consider an asset impaired if both the decline in the service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The Airport will recognize an impairment loss when the Airport considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value.

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.

Cash: 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 Airport 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.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

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.

Reclassification: To be consistent with the year ended June 30, 2019, certain components of deferred outflows for the year ended June 30, 2018 have been reclassified and, as applicable, netted against deferred inflows. There was no effect on the change in the net position.

Note 2. Cash

Wyoming 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. Wyoming State Statutes also require that the Airport's deposits in excess of the Federal depository insurance amount be collateralized.

As of June 30, 2019 and 2018, the carrying amount of the Airport's bank deposits, including checking and savings, was \$637,201 and \$429,220, respectively, and the bank balance was \$647,209 and \$572,781, respectively. The bank balances at June 30, 2019 and 2018 were covered by FDIC insurance or pledged collateral.

Note 3. Leases and Lease Income

The Airport leases hangars to various entities and individuals. These leases are primarily for one-year terms, expiring June 30, 2020, 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.

In addition, the Airport has entered into lease agreements with two rental car companies for space in the terminal and parking spaces for rental vehicles. The minimum annual guarantee for rental fees for each company in fiscal year 2019 was \$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 \$185,847 and \$180,588 for the years ended June 30, 2019 and 2018, respectively.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

In addition, the Airport has entered into various leases for space throughout the Airport. Those leases are as follows:

The Airport entered into a lease agreement with the U.S. Government for office space in the Airport terminal. The lease requires monthly payments of \$3,013. The agreement expires on October 2029, although the U.S. Government can terminate the lease with 60 days' notice.

In April, the Airport renewed a lease agreement with an air service for space in the Airport terminal. The lease requires monthly payments of \$6,090. The base monthly rental increases 3% for the following year. The agreement expires on June 30, 2020.

The Airport entered into a lease agreement with an air service for office space in the Airport terminal. The lease requires monthly payments \$5,720, with a 3% increase on June 1st. The agreement expires on May 31, 2020.

The Airport has entered into a lease agreement with a communications company for space in the Airport terminal for installation, operation, and storage of communication equipment. The communications company is required to pay \$1,417 per year through March 2020.

The Airport has entered into a lease agreement with a communications company for space in the Airport for the installation, use, and maintenance of radio equipment. The company is required to pay \$889 per year through August 2020.

The total fees for all leases were \$564,425 and \$480,668 for the years ended June 30, 2019 and 2018, respectively.

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

Year ending June 30,	
2020	\$ 501,710
2021	202,560
2022	199,495
2023	36,156
2024	36,156
Thereafter	192,832
	<u>\$ 1,168,909</u>

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Following is a summary of changes in capital assets:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Nondepreciable Capital Assets					
Construction in process	\$ 39,781	\$ 476,746	\$ -	\$ (39,781)	\$ 476,746
Total nondepreciable capital assets	39,781	476,746	-	(39,781)	476,746
Depreciable Capital Assets					
Buildings and improvements	14,754,739	89,374	-	-	14,844,113
Runways and improvements	36,052,501	30,350	-	39,781	36,122,632
Machinery and equipment	5,420,661	107,662	-	-	5,528,323
Total depreciable capital assets	56,227,901	227,386	-	39,781	56,495,068
Less accumulated depreciation	35,049,224	1,668,812	-	-	36,718,036
Capital assets, net	\$ 21,218,458	\$ (964,680)	\$ -	\$ -	\$ 20,253,778
	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Nondepreciable Capital Assets					
Construction in process	\$ 979,229	\$ 39,781	\$ -	\$ (979,229)	\$ 39,781
Total nondepreciable capital assets	979,229	39,781	-	(979,229)	39,781
Depreciable Capital Assets					
Buildings and improvements	8,708,366	5,078,644	-	967,729	14,754,739
Runways and improvements	35,846,946	194,055	-	11,500	36,052,501
Machinery and equipment	5,316,463	104,198	-	-	5,420,661
	49,871,775	5,376,897	-	979,229	56,227,901
Less accumulated depreciation	33,442,102	1,607,122	-	-	35,049,224
Capital assets, net	\$ 17,408,902	\$ 3,809,556	\$ -	\$ -	\$ 21,218,458

SOUTHWEST WYOMING REGIONAL 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 available at <http://retirement.state.wy.us/About/Reports?Label=Financial#categories>.

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 Wyoming State Statutes, for the year ended June 30, 2019, member contributions were required to be 8.50% of compensation and employer contributions were required to be 8.62% of compensation. These contributions increased September 1, 2018. Previously, the employee and employer contribution percentages were 8.25% and 8.37%, respectively. In accordance with Title 9-3-412(c)(ii) of Wyoming State Statutes, the Airport has elected to pay the member's contribution in addition to the employer's contribution. Total contributions to the pension plan from the Airport were \$116,726, \$112,502 and \$108,111 for the years ended June 30, 2019, 2018, and 2017, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, the Airport reported a liability of \$1,204,477 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 and incorporated assumption changes adopted by the WRS Board effective August 23, 2017.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

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, 2018 to the contributions of all participating employers for the same period. At December 31, 2018, the Airport's proportion was 0.0395521%, which was an increase from its December 31, 2017 proportion of 0.0374329%.

For the years ended June 30, 2019 and 2018, the Airport recognized pension expense of \$188,071 and \$131,363, respectively. At June 30, 2019 and 2018, the Airport reported deferred outflows and inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,253
Net difference between projected and actual earnings on pension plan investments	181,137	-
Changes in proportionate share of contributions	60,680	-
Change in assumption	56,954	-
Contributions subsequent to the measurement date	29,639	-
	\$ 328,410	\$ 29,253
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,139
Net difference between projected and actual earnings on pension plan investments	-	37,270
Changes in proportionate share of contributions	37,845	5,815
Change in assumption	82,905	-
Contributions subsequent to the measurement date	29,057	-
	\$ 149,807	\$ 72,224

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

An amount of \$29,639 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, 2019. 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,	
2020	\$ 105,732
2021	65,226
2022	38,206
2023	60,354
	<u>\$ 269,518</u>

Actuarial assumptions: The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the WRS Board effective August 23, 2017, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.50% - 6.50%, including inflation
Payroll growth rate	2.50%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2017.

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. For each major asset class that is included in the pension plan's target asset allocation for fiscal year 2018, these best estimates 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%	0.30%	0.30%
Fixed income	20.00%	1.50%	2.00%
Equity	49.00%	6.00%	7.40%
Marketable alternatives	19.00%	3.10%	3.50%
Private markets	12.00%	5.20%	7.00%
	<u>100.00%</u>		

SOUTHWEST WYOMING REGIONAL 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, 2016. 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 7.00%. 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	<u>\$ 1,670,447</u>	<u>\$ 1,204,477</u>	<u>\$ 815,629</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Wyoming Retirement System (WRS) financial report available from the WRS, 6101 Yellowstone Road, Cheyenne, Wyoming 82002, or through the WRS website at <http://retirement.state.wy.us/About/Reports?Label=Financial#categories>.

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.

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

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

	<u>2019</u>	<u>2018</u>
Wyoming Department of Transportation (Federal/State)	\$ 193,089	\$ 2,631,570
Wyoming Business Council (State)	-	2,404,026
U.S. Department of Homeland Security (Federal)	17,974	17,249
City of Rock Springs (Local)	360,234	234,562
Sweetwater County (Local)	683,284	469,122
Rocky Mountain Power (Private)	102,787	-
	<u>\$ 1,357,368</u>	<u>\$ 5,756,529</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, 2019, 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 2019, the amounts below represent the activity pertaining to the Airport's portion of the contract as a whole.

	<u>Total Contract</u>	<u>Expended to Date at June 30, 2019</u>	<u>Total Commitment at June 30, 2019</u>
Snow Removal Equipment Acquisition	\$ 705,760	\$ 26,210	\$ 679,550
Commercial Terminal Modernization - Design	180,614	158,308	22,306
	<u>\$ 886,374</u>	<u>\$ 184,518</u>	<u>\$ 701,856</u>

The Airport has entered into the following contracts subsequent to June 30, 2019:

Rehabilitate TWY A	\$4,973,456
Commercial Termination Modernization	5,000
Fuel Farm Replacement	132,289
BLM Seat Base	90,844
	<u>\$ 5,201,589</u>

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

SOUTHWEST WYOMING REGIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

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 \$23,130 and \$24,621 at June 30, 2019 and 2018, respectively.

Note 10. Note Payable

In December 2017, the Airport purchased equipment with a loan from a financial institution. The loan (original amount \$105,000, interest at 4.5%) requires monthly principal and interest payments of \$1,961, and matures in December 2022. The loan balance as of June 30, 2019 and 2018 were \$75,269 and \$95,364, respectively. The loan is secured by equipment, with a depreciated value of \$104,198.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 23,535	\$ 20,485	\$ 3,050
2021	23,535	21,447	2,088
2022	23,535	22,447	1,088
2023	11,238	10,890	348
	<u>\$ 81,843</u>	<u>\$ 75,269</u>	<u>\$ 6,574</u>

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due within 1 year</u>
Note Payable	<u>\$ 95,364</u>	<u>\$ -</u>	<u>\$ (20,095)</u>	<u>\$ 75,269</u>	<u>\$ 20,485</u>

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due within 1 year</u>
Note Payable	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ (9,636)</u>	<u>\$ 95,364</u>	<u>\$ 19,581</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST WYOMING REGIONAL AIRPORT

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

**Public Employee Pension Plan
Last 6 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%
2018	0.037432900%	853,224	657,764	129.72%	76.35%
2019	0.039552100%	1,204,477	688,446	174.96%	69.17%

** 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.

SOUTHWEST WYOMING REGIONAL AIRPORT

SCHEDULE OF THE AIRPORT'S CONTRIBUTIONS

Public Employee Pension Plan

Last 6 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%
2018	56,657	56,657	-	676,911	8.37%
2019	58,774	58,774	-	685,145	8.58%

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

See Note to Required Supplementary Information.

SOUTHWEST WYOMING REGIONAL 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, 2017 measurement date and the December 31, 2018 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2017 measurement date and the December 31, 2018 measurement date.

SUPPLEMENTARY INFORMATION

SOUTHWEST WYOMING REGIONAL AIRPORT

SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

Year Ended June 30, 2019

Federal Grantor Pass-Through Grantor/ Program Title	Approved Amount	Passenger Facility Charges June 30, 2018	Passenger Facility Charges and Interest Collected	Assets Released from Restriction	Transfers Outstanding (to)/from Airport's Operating Account	Passenger Facility Charges June 30, 2019
Passenger Facility Charge Program: 2015 Application	\$ 688,128	\$ 24,621	\$ 108,904	\$ (161,308)	\$ 50,913	\$ 23,130

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 Southwest Wyoming Regional Airport (the "Airport") for the year ended June 30, 2019. 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
Southwest Wyoming Regional 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 Southwest Wyoming Regional Airport (the "Airport"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated October 9, 2019.

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 as item 2019-001 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 9, 2019

SOUTHWEST WYOMING REGIONAL AIRPORT

SCHEDULE OF FINANCIAL STATEMENT FINDING Year Ended June 30, 2019

FINANCIAL STATEMENT FINDING

2019-001: 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: Southwest Wyoming Regional Airport (the “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 Airport review the monthly financial statements.

Views of responsible officials and planned corrective actions: Management and the Airport 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 Airport 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.

SOUTHWEST WYOMING REGIONAL AIRPORT

**SUMMARY SCHEDULE OF PRIOR YEAR
FINANCIAL STATEMENT FINDING
Year Ended June 30, 2019**

<p style="text-align: center;">PRIOR YEAR FINANCIAL STATEMENT FINDING</p>	<p style="text-align: center;">STATUS</p>
<p><u>2018-001: Segregation of Duties</u></p> <p>Condition/Context: Southwest Wyoming Regional 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>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 Airport review the monthly financial statements.</p>	<p>Management and the Airport 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 Airport 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 Comments: Based on testing of cash receipts and journal entries throughout the audit, we determined the condition still exists. As such, see finding at 2019-001.</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 Members
Southwest Wyoming Regional Airport
Rock Springs, Wyoming

Report on Compliance of Passenger Facility Charges

We have audited the Southwest Wyoming Regional Airport (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, 2019.

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, 2019.

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.

McLee, Hearne & Paig, LLP

Cheyenne, Wyoming
October 9, 2019

SOUTHWEST WYOMING REGIONAL AIRPORT

**SCHEDULE OF PASSENGER FACILITY CHARGES
FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019**

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

SOUTHWEST WYOMING REGIONAL AIRPORT

**SCHEDULE OF PRIOR YEAR
PASSENGER FACILITY CHARGES FINDINGS
Year Ended June 30, 2019**

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

**EXHIBIT I:
CORRECTIVE ACTION PLAN**

ROCK SPRINGS - SWEETWATER COUNTY

A I R P O R T

SCHEDULE OF FINDINGS

Year Ended June 30, 2019

FINANCIAL STATEMENT FINDING

2019-001: Segregation of Duties

Views of responsible officials and planned corrective actions: Management and the Airport 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 Airport 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.

