

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**FINANCIAL AND COMPLIANCE REPORT**

**JUNE 30, 2016**

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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 business-type activities of the Rock Springs – Sweetwater County Airport (the “Airport”), as of and for the years ended June 30, 2016 and 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 business-type activities of the Airport as of June 30, 2016 and 2015, 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 7, 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 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 is 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 relates 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 March 30, 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 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 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  
March 30, 2017

# ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Years Ended June 30, 2016, 2015, and 2014

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, 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, 2016, 2015, and 2014 and from the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016, 2015, and 2014 are as follows:

	2016	2015	2014*
Current and Other Assets	\$ 1,038,258	\$ 1,085,967	\$ 1,425,809
Capital Assets, net of accumulated depreciation	12,746,835	12,345,423	13,004,828
<b>Total assets</b>	<b>13,785,093</b>	<b>13,431,390</b>	<b>14,430,637</b>
Deferred Outflows of Resources	234,616	108,945	-
Current Liabilities	397,065	355,260	889,607
Noncurrent Liabilities	818,084	655,771	54,579
<b>Total liabilities</b>	<b>1,215,149</b>	<b>1,011,031</b>	<b>944,186</b>
Deferred Inflows of Resources	35,854	-	-
Net Position:			
Net investment in capital assets	12,746,835	12,290,780	12,908,097
Restricted expendable net position	87,628	377,253	294,568
Unrestricted net position (deficit)	(65,757)	(138,729)	283,786
<b>Total net position</b>	<b>\$ 12,768,706</b>	<b>\$ 12,529,304</b>	<b>\$ 13,486,451</b>
Operating Revenues:			
Fuel sales	\$ 1,513,175	\$ 1,817,436	\$ 1,763,361
Revenue from aviation services	482,229	478,270	505,839
<b>Total operating revenues</b>	<b>1,995,404</b>	<b>2,295,706</b>	<b>2,269,200</b>
Operating Expenses:			
Fuel	1,045,725	1,349,930	1,366,370
Aviation services	1,414,856	1,257,137	1,207,113
Other operating expenses	247,720	221,866	225,820
<b>Total operating expenses, excluding depreciation</b>	<b>2,708,301</b>	<b>2,828,933</b>	<b>2,799,303</b>
Depreciation	1,125,810	1,080,124	1,084,471
<b>Total operating expenses, including depreciation</b>	<b>3,834,111</b>	<b>3,909,057</b>	<b>3,883,774</b>
<b>Operating (loss)</b>	<b>(1,838,707)</b>	<b>(1,613,351)</b>	<b>(1,614,574)</b>
Net Nonoperating Revenue	589,072	757,973	661,931
Other Revenue, Expenses, Gains or Losses	1,489,037	396,240	3,331,409
<b>Increase (decrease) in net position</b>	<b>239,402</b>	<b>(459,138)</b>	<b>2,378,766</b>
Beginning of year net position	12,529,304	13,486,451	11,107,685
Restatement to prior period	-	(498,009)	-
End of year net position	<b>\$ 12,768,706</b>	<b>\$ 12,529,304</b>	<b>\$ 13,486,451</b>

\*GASB 68 is effective for the year ended June 30, 2015. The year ended June 30, 2014, as presented in these columns, was not restated. For further discussion, see Note 6 in this report.

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, 2016, 2015, and 2014.

**Assets and Liabilities**

Current assets increased by \$241,916 for the year ended June 30, 2016. The increase is primarily due to the increase in cash, which increased by \$197,308. For the year ended June 30, 2015, current assets decreased by \$422,527. The decrease was primarily due to the decrease in grant receivables, which decreased by \$405,745. This decrease was a result of the Airport having substantially completed Phase II of the taxiway construction project, the water infrastructure project, and the rehabilitation of runway by year end.

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. For the year ended June 30, 2015, current liabilities decreased by \$534,347. The decrease in current liabilities was a result of the timing expenditures incurred for projects. These projects were substantially complete within the first six months of the fiscal year, resulting in a decrease in accounts payable at year end.

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 \$818,084, which was recorded for the first time in fiscal year 2015 and increased by \$173,399. 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 2016 or 2015. For the year ended June 30, 2015, the Airport's long-term liabilities increased by \$601,192, which was the result of recording the Airport's net pension liability of \$644,685.

**Net Position**

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 \$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. For the year ended June 30, 2015, net position in total decreased by \$957,147. The decrease was due primarily to the recording of the net pension liability noted above, in addition to the decrease related to capital asset depreciation. The capital assets table on page 7 provides additional details and comparative information for the last three fiscal years on the capital assets of the Airport.

The Airport also has \$87,268 of funds that are restricted as to their use for the year ended June 30, 2016. For fiscal year ended June 30, 2015, the Airport had \$377,253 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 \$65,757 for fiscal year ended June 30, 2016; and \$138,729 for fiscal year ended June 30, 2015.

**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 \$300,302 for the year ended June 30, 2016. The change is due primarily to the change in fuel sales, which decreased by \$304,261 in fiscal year 2016. For the year ended June 30, 2015, operating revenues increased by \$26,506; however, this was offset by a \$27,569 decrease in general Airport operations and commercial aviation.

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 \$589,072 for the year ended June 30, 2016. Other revenue, expenses, gains, or losses consists of capital contributions. Capital contributions were \$1,489,037 in fiscal year 2016. For the year ended June 30, 2015, grant income made up the majority of the Airport's non-operating revenues, which totaled \$757,973. Other revenue, expenses, gains, or losses consisted of capital contributions. Capital contributions were \$396,240 in fiscal year 2015.

**Expenses**

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. For the year ended June 30, 2015, operating expenses increased by \$25,283. There was a \$16,440 decrease in fuel; however, this was offset by a \$42,131 increase in salaries and benefits, which was due to the increase in pension expense.

**Capital Assets**

Net capital assets in the current year 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, 2016: Rehab Runway, Acquire Aircraft and Rescue and Fire Fighting Vehicles, Grading Safety Area. Net capital assets increased by \$659,405 for the year ended June 30, 2015. The Airport was in the process of completing or completed the following projects for the year ended June 30, 2015: Rehab Parallel Taxiway, Water Infrastructure, Airport Master Plan, and Wildlife Study.



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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Nondepreciable Capital Assets</b>			
Construction in process	\$ -	\$ 170,623	\$ -
<b>Total nondepreciable capital assets</b>	<b>-</b>	<b>170,623</b>	<b>-</b>
<b>Depreciable Capital Assets</b>			
Buildings and improvements	8,592,916	8,592,916	8,592,916
Runways and improvements	31,079,192	30,203,393	29,953,297
Machinery and equipment	5,202,874	4,380,828	4,380,828
<b>Total depreciable capital assets</b>	<b>44,874,982</b>	<b>43,177,137</b>	<b>42,927,041</b>
<b>Total Capital Assets</b>	<b>44,874,982</b>	<b>43,347,760</b>	<b>42,927,041</b>
Total accumulated depreciation	32,128,147	31,002,337	29,922,213
<b>Capital Assets, net</b>	<b>\$ 12,746,835</b>	<b>\$ 12,345,423</b>	<b>\$ 13,004,828</b>

### **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, 2016 and 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents, unrestricted (Note 2)	\$ 504,331	\$ 307,023
Deposit escrow	4,399	4,395
Grants receivable (Note 7)	225,563	108,927
Accounts receivable	119,522	190,235
Inventories	94,171	95,490
Prepaid expenses	2,644	2,644
<b>Total current assets</b>	<b>950,630</b>	<b>708,714</b>
<b>Noncurrent Assets</b>		
Capital assets, not being depreciated (Note 4)	-	170,623
Capital assets, net of accumulated depreciation (Notes 4 and 5)	12,746,835	12,174,800
Cash and cash equivalents, restricted (Notes 2 and 10)	81,992	370,704
Passenger facility charge receivable, restricted (Note 10)	5,636	6,549
<b>Total noncurrent assets</b>	<b>12,834,463</b>	<b>12,722,676</b>
<b>Total assets</b>	<b>13,785,093</b>	<b>13,431,390</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Outflows (Note 6)	234,616	108,945
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	321,059	247,837
Accrued expenses	63,392	52,229
Deposits	7,556	6,579
Advanced payments	5,058	5,058
Current portion of capital lease (Note 5)	-	43,557
<b>Total current liabilities</b>	<b>397,065</b>	<b>355,260</b>
<b>Long-Term Liabilities</b>		
Capital lease, net of current portion (Note 5)	-	11,086
Net pension liability (Note 6)	818,084	644,685
<b>Total long-term liabilities</b>	<b>818,084</b>	<b>655,771</b>
<b>Total liabilities</b>	<b>1,215,149</b>	<b>1,011,031</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Inflows (Note 6)	35,854	-
<b>NET POSITION</b>		
Net investment in capital assets	12,746,835	12,290,780
Restricted expendable net position (Note 10)	87,628	377,253
Unrestricted net position (deficit)	(65,757)	(138,729)
<b>Total net position</b>	<b>\$ 12,768,706</b>	<b>\$ 12,529,304</b>

See Notes to Financial Statements.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION Years Ended June 30, 2016 and 2015

	2016	2015
<b>Operating Revenues</b>		
Fuel sales	\$ 1,513,175	\$ 1,817,436
Airport operation (Note 3)	231,169	230,477
Commercial aviation (Note 3)	251,060	247,793
<b>Total operating revenues</b>	<b>1,995,404</b>	<b>2,295,706</b>
<b>Operating Expenses</b>		
Depreciation	1,125,810	1,080,124
Salaries and benefits	1,085,894	996,798
Fuel	1,045,725	1,349,930
Utilities	178,057	166,921
Maintenance and repairs	150,905	93,418
Administration	232,231	214,299
Miscellaneous	15,489	7,567
<b>Total operating expenses</b>	<b>3,834,111</b>	<b>3,909,057</b>
<b>Operating (loss)</b>	<b>(1,838,707)</b>	<b>(1,613,351)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Grants and local government support (Note 7)	874,310	674,261
Passenger facility expenses, net of fees collected (Note 10)	(289,747)	82,685
Parking donations	4,039	-
Investment income	470	1,027
<b>Total nonoperating revenues</b>	<b>589,072</b>	<b>757,973</b>
<b>(Loss) before other revenue, expenses, gains or losses</b>	<b>(1,249,635)</b>	<b>(855,378)</b>
<b>Other Revenue, Expenses, Gains or Losses</b>		
Capital contributions (Note 7)	1,489,037	396,240
<b>Increase (decrease) in net position</b>	<b>239,402</b>	<b>(459,138)</b>
<b>Net Position</b>		
Beginning of year, as previously reported	12,529,304	13,486,451
Restatement to prior period (Note 6)	-	(498,009)
Beginning of year, as restated	12,529,304	12,988,442
End of year	\$ 12,768,706	\$ 12,529,304

See Notes to Financial Statements.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### STATEMENTS OF CASH FLOWS Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and tenants	\$ 2,066,113	\$ 2,164,089
Cash paid to/for:		
Employees	(991,149)	(1,008,532)
Supplies	(1,686,762)	(2,346,955)
<b>Net cash (used in) operating activities</b>	<b>(611,798)</b>	<b>(1,191,398)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants received	873,229	255,959
Parking donations received	4,039	-
	<b>877,268</b>	<b>255,959</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Construction grants received	1,373,482	1,220,281
Purchase and construction of capital assets	(1,387,349)	(352,007)
Principal paid on long-term obligations	(54,643)	(42,088)
Passenger facility charges collected	73,835	76,136
Passenger facility charges used	(362,669)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(357,344)</b>	<b>902,322</b>
<b>Cash Flows from Investing Activities</b>		
Investment income	470	1,027
<b>Net (decrease) in cash and cash equivalents</b>	<b>(91,404)</b>	<b>(32,090)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	677,727	709,817
End of year	<b>\$ 586,323</b>	<b>\$ 677,727</b>
<b>Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities</b>		
Operating (loss)	\$ (1,838,707)	\$ (1,613,351)
Add depreciation expense	1,125,810	1,080,124
Net pension expense	83,582	37,732
Change in current assets and current liabilities:		
(Increase) decrease in:		
Accounts receivable	70,713	(131,617)
Inventories	1,319	40,178
Increase (decrease) in:		
Accounts payable - non-grant	(66,651)	(555,189)
Accrued expenses	11,163	(49,466)
Deposits	973	191
<b>Net cash (used in) operating activities</b>	<b>\$ (611,798)</b>	<b>\$ (1,191,398)</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Purchase of capital assets in accounts payable	\$ 208,585	\$ 68,712

See Notes to Financial Statements.

# ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

## NOTES TO FINANCIAL STATEMENTS

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### 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

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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.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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#### Recent pronouncements:

##### *Adopted:*

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for years beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier adoption is allowed. Management has elected to adopt this update for the fiscal year ended June 30, 2016. The impact of adopting this update is reflected in the financial statements.

#### **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, 2016 and 2015, the carrying amount of the Airport's bank deposits, including checking and savings, was \$586,323 and \$677,727, respectively, and the bank balance was \$589,168 and \$669,451, respectively. The bank balances at June 30, 2016 and 2015 were covered by FDIC insurance or pledged collateral.

#### **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.

The Airport has entered into lease agreements with three rental car companies for space in the terminal and parking spaces for rental vehicles. Rental fees for each company are 10% of gross receipts or \$15,000 per year, whichever is greater plus an additional amount for counter and office space. The leases expire on June 30, 2017. 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 \$142,799 and \$147,939 for the years ended June 30, 2016 and 2015, respectively. Subsequent to year-end, the Airport entered into lease agreements with two of the rental car facilities for a car wash facility. The agreements call for monthly lease payments of \$539 and \$250, respectively, and expire on June 30, 2017.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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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 the U.S. Government for hangar space in the Airport terminal. The lease requires monthly payments of \$182. The U.S. Government can terminate the lease with 30 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 1<sup>st</sup> each year through May 31, 2020.

The total fees for these leases were \$309,234 and \$265,251 for the years ended June 30, 2016 and 2015, respectively.

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

Year ending June 30,	
2017	\$ 270,114
2018	147,067
2019	143,087
2020	141,240
	<u>\$ 701,508</u>



## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

#### Note 4. Property and Equipment

Following is a summary of changes in property and equipment:

	2015	Balance June 30, Additions	Deletions	Transfers	Balance June 30, 2016
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
Construction in process	170,623	-	-	(170,623)	-
	43,347,760	1,527,222	-	-	44,874,982
Less accumulated depreciation	31,002,337	1,125,810	-	-	32,128,147
<b>Capital assets, net</b>	<b>\$12,345,423</b>	<b>\$ 401,412</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$12,746,835</b>

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Buildings and improvements	\$ 8,592,916	\$ -	\$ -	\$ -	\$ 8,592,916
Runways and improvements	29,953,297	250,096	-	-	30,203,393
Machinery and equipment	4,380,828	-	-	-	4,380,828
Construction in process	-	170,623	-	-	170,623
	42,927,041	420,719	-	-	43,347,760
Less accumulated depreciation	29,922,213	1,080,124	-	-	31,002,337
<b>Capital assets, net</b>	<b>\$13,004,828</b>	<b>\$ (659,405)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$12,345,423</b>

#### Note 5. Capital Lease Obligations

Obligations under capital leases have been recorded in the accompanying financial statements at the present value of the net future minimum lease payments. The capitalized cost of \$207,617 is included in capital assets in the accompanying financial statements. Accumulated depreciation on the leased equipment was \$133,470. The capital leases were paid in full during fiscal year 2016.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6. Retirement Commitment – Wyoming Retirement System

Fiscal year 2015 (post implementation of GASB Statement No. 68): On July 1, 2014, the Airport implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which recognizes a long-term obligation for pension benefits. The accounting change adopted to conform to the provisions of GASB 68 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2015 by \$498,009, which included recording an initial net pension liability of \$543,146 and an initial deferred outflows of resources of \$45,137.

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, 2016, member contributions were required to be 8.37% of compensation and employer contributions were required to be 7.62% 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 \$107,982 and \$101,541 for the years ended June 30, 2016 and 2015, respectively.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the Airport reported a liability of \$818,084 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2015 to the contributions of all participating employers for the same period. At December 31, 2015, the Airport's proportion was 0.0351206800%, which was a decrease from its December 31, 2014 proportion of 0.0365324400%.

For the years ended June 30, 2016 and 2015, the Airport recognized pension expense of \$134,373 and \$85,088, respectively. At June 30, 2016 and 2015, the Airport reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>2016</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 17,307
Net difference between projected and actual earnings on pension plan investments	<b>201,868</b>	-
Changes in proportionate share of contributions	<b>6,168</b>	<b>18,547</b>
Contributions subsequent to the measurement date	<b>26,580</b>	-
	<b>\$ 234,616</b>	<b>\$ 35,854</b>
	<hr/> <hr/>	
	<b>2015</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 52,859	\$ -
Changes in proportionate share of contributions	9,231	-
Contributions subsequent to the measurement date	46,855	-
	<b>\$ 108,945</b>	<b>\$ -</b>
	<hr/> <hr/>	

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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An amount of \$26,580 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, 2016. 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,	
2017	\$ 44,528
2018	44,528
2019	42,571
2020	40,555
	<u>\$ 172,182</u>

Actuarial assumptions: The total pension liability in the January 1, 2016 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
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable alternatives	15.50%	4.75%
Private markets	12.00%	5.84%
Cash	2.50%	0.25%
Total	<u>100.00%</u>	

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.

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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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	\$ 1,174,477	\$ 818,084	\$ 516,783

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 7. 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

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

	<u>2016</u>	<u>2015</u>
U.S. Department of Transportation	\$ 1,432,425	\$ 379,507
U.S. Department of Homeland Security	18,450	25,813
Wyoming Aeronautics Commission	92,225	33,396
City of Rock Springs	273,408	209,858
Sweetwater County	546,839	421,927
	<u>\$ 2,363,347</u>	<u>\$ 1,070,501</u>

#### Note 8. 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 9. Commitments and Subsequent Events

As of June 30, 2016, the Airport has 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 2016, the amounts below represent the activity pertaining to the Airport's portion of the contract as a whole.

	Total Contract	Expended to Date at June 30, 2016	Total Commitment at June 30, 2016
Grading Safety Area	\$ 872,231	\$ 854,743	\$ 17,488
Replacement of General Aviation Terminal and Hangar - Schematic Design	26,700	19,050	-
	<u>\$ 898,931</u>	<u>\$ 873,793</u>	<u>\$ 25,138</u>

## ROCK SPRINGS – SWEETWATER COUNTY AIRPORT

### NOTES TO FINANCIAL STATEMENTS

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The Airport has entered into the following contracts subsequent to June 30, 2016:

Rehabilitate Runway 09/27	\$ 170,400
Rehabilitate Runway 09/27	4,339,401
Controls Upgrade, Phase I	89,852
Acquire AG Tractor and Attachments	113,077
Hot Water Piping Bag Filter Installation	13,835
Replacement of General Aviation Terminal and Hangar	546,800
General Aviation Terminal Asbestos Abatement	22,950
West Hangar Roof Replacement	107,450
Seal Coat Select Airfield Asphalt Pavements	32,900
	<u>\$ 5,436,665</u>

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

#### **Note 10. 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 \$87,628 and \$377,253 at June 30, 2016 and 2015, 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 3 Fiscal Years\***

	Airport's proportion of the net pension liability (asset)	Airport's proportionate share of the net pension liability (asset)	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	0.0357238510%	\$ 543,146	\$ 611,626	88.80%	81.10%
2015	0.0365324400%	\$ 644,685	\$ 632,798	101.88%	79.08%
2016	0.0351206800%	\$ 818,084	\$ 626,137	130.66%	73.40%

*\* 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 Notes to Required Supplementary Information.

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SCHEDULE OF THE AIRPORT'S CONTRIBUTIONS**

**Public Employee Pension Plan**

**Last 3 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
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%

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

See Notes to Required Supplementary Information.

## **ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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Changes in benefit terms: There were no changes in benefit terms between the December 31, 2014 measurement date and the December 31, 2015 measurement date.

Changes in assumptions: There were no changes in assumptions between the December 31, 2014 measurement date and the December 31, 2015 measurement date.

## **SUPPLEMENTARY INFORMATION**

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Transportation</b>			
Passed through Wyoming Aeronautics Commission:			
Airport Improvement Program	20.106	3-56-0025-32	\$ 43,125
Airport Improvement Program	20.106	3-56-0025-33	634,720
Airport Improvement Program	20.106	3-56-0025-34	805,000
<b>Total U.S. Department of Transportation</b>			<u>1,482,845</u>
<b>U.S. Department of Homeland Security</b>			
Law Enforcement Officer Reimbursement Agreement Program			
	97.U01	HSTS0208H5LR248	<u>18,450</u>
<b>Total Federal Awards</b>			<u><u>\$ 1,501,295</u></u>

**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, 2016. 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* (the 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 the Uniform Guidance.

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**

**As of June 30, 2016**

Federal Grantor Pass-Through Grantor/ Program Title	Approved Amount	Passenger Facility Charges June 30, 2015	Passenger Facility Charges and Interest Collected	Assets Released from Restriction	Passenger Facility Charges June 30, 2016
Passenger Facility Charge Program:					
2012 Application	\$ 461,933	\$ 377,253	\$ 72,922	\$ (362,547)	\$ 87,628
2015 Application	688,128	-	-	-	-
	<u>\$ 1,150,061</u>	<u>\$ 377,253</u>	<u>\$ 72,922</u>	<u>\$ (362,547)</u>	<u>\$ 87,628</u>

**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, 2016. 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, 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements, and have issued our report thereon dated March 30, 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 2016-001 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  
March 30, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE 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, 2016. 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 the 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, 2016.

## 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 the 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, 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 audit requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cheyenne, Wyoming  
March 30, 2017

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

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**I. SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

**A. 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

**B. 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</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, 2016

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#### II. FINANCIAL STATEMENT FINDINGS

##### **2016-001: 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.

#### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2016**

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<b>FINDING</b>	<b>STATUS</b>
<p><b><u>2013-001: Segregation of Duties</u></b></p> <p>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.</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><b><i>Auditor’s Comments:</i></b> Based on testing of cash receipts and journal entries throughout the audit, we determined the condition still exists. As such, see finding at 2016-001.</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, 2016.

***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, 2016.

## 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  
March 30, 2017

**ROCK SPRINGS – SWEETWATER COUNTY AIRPORT**

**SCHEDULE OF PASSENGER FACILITY CHARGES  
FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

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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, 2016**

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