

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

FINANCIAL AND COMPLIANCE REPORT

DECEMBER 31, 2018

Preliminary Draft 5/14/2019

CONTENTS

SECTION I: FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT	1 and 2
Management's Discussion and Analysis (Required Supplementary Information)	3 and 4
Financial Statements	
Statement of Net Position	5
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	8 and 9

SECTION II: COMPLIANCE MATTERS, INTERNAL ACCOUNTING CONTROL, AND ADMINISTRATIVE CONTROLS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	10 and 11
--	-----------

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sweetwater County 2013 Specific Purpose Tax
Joint Powers Board
Green River, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the Sweetwater County 2013 Specific Purpose Tax Joint Powers Board (the "Board"), which comprise the Statement of Net Position as of December 31, 2018, the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows, for the six-month period then ended, and the related notes to the financial statements, which collectively comprise the Board'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 Board'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 Board'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2018, and the changes in its financial position and its cash flows for the six-month period 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 and 4 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019 on our consideration of the Board'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 Board'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 Board's internal control over financial reporting and compliance.

Cheyenne, Wyoming
May 15, 2019

SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX JOINT POWERS BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Sweetwater County 2013 Specific Purpose Tax Joint Powers Board (the "Board") provides this Discussion and Analysis of the Financial Report of December 31, 2018 for readers of the Board's financial statements. This narrative overview and analysis of the financial activities of the Board is for the six-month period ended December 31, 2018 and the year ended June 30, 2018. We encourage readers to consider this information in conjunction with the additional information that is furnished in the Independent Auditor's Report, which can be found preceding this narrative, and with the Board financial statements which follow.

Financial Statements: The Board presents three primary financial statements. The Statement of Net Position provides summarized information of the Board's assets, liabilities, and net position as of a specific point in time.

The Statement of Revenues, Expenses, and Changes in Net Position shows activity for the Board for these categories for a period of time.

The Statement of Cash Flows provides summarized activity from cash inflows and outflows categorized by operating activities, capital and related financing activities, and investing activities. This statement identifies the component and activities explaining the change in the amount of cash and cash equivalents disclosed on the Statement of Net Position for a period of time. This statement also explains differences between operating income provided in the Statement of Revenues, Expenses, and Changes in Net Position and cash provided by operating activities.

Condensed financial information is as follows:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash and investments (current and long-term)	\$ 255,069	\$ 5,413,004
Cash and investments held by escrow agent (current and long-term)	<u>5,922,899</u>	<u>11,357,100</u>
Total assets	<u><u>\$ 6,177,968</u></u>	<u><u>\$ 16,770,104</u></u>
 Bonds payable (current and long-term)	 \$ -	 \$ 11,170,010
Accounts payable and estimated cost to complete leased property	 71,428	 154,366
Estimated payable to participating agencies - excess sales and use tax	 6,065,294	 5,294,313
Other	<u>41,246</u>	<u>21,858</u>
Total liabilities	<u><u>\$ 6,177,968</u></u>	<u><u>\$ 16,640,547</u></u>
 Unrestricted net position	 <u><u>\$ -</u></u>	 <u><u>\$ 129,557</u></u>

	December 31, 2018	June 30, 2018
Direct financing lease income	\$ -	\$ 343,980
Operating expenses	(62,992)	(20,593)
Investment income	41,992	21,856
Interest expense	(108,557)	(419,116)
Net (decrease) in net position	\$ (129,557)	\$ (73,873)

Cash and cash equivalents were originally provided through the bond issuance and were used primarily for acquisition and construction of the leased assets and debt payments, and will be used primarily to pay the estimated payable to participating agencies for excess sales and use tax.

Direct Financing Lease: The direct financing lease had an original balance of \$49,237,594 but was reduced during the prior periods by the principal portion of lease payments as well as the specific purpose sales and use excise tax revenues collected in excess of the minimum lease payments. The original balance is the present value of future lease payments.

Net Position: The assets equal the liabilities of the Board as of December 31, 2018. The assets exceeded the liabilities of the Board by \$129,557 as of June 30, 2018.

Long-Term Debt: The Board's total long-term debt obligation was from the issuance of Series 2013 Lease Revenue Bonds in July 2013 in the amount of \$51,080,000. The bonds were sold at a premium of \$3,721,593. For the six-month period ended December 31, 2018, the long-term debt decreased due to principal payments made of \$11,045,000 and bond premium amortization of \$125,010. For the year ended June 30, 2018, the long-term debt decreased due to principal payments made of \$10,690,000 and bond premium amortization of \$421,431. Additional information on the Board's long-term debt can be found in Note 4 of this report.

Net Increase (Decrease) in Net Position: The direct financing lease income was recognized based on the present value of future lease payments. Since cash flows from the lease have provided sufficient funds to pay future debt service and operating expenses, the net position was expected to be close to zero during the remainder of the lease term. Operating expenses increased during the six-month period ended December 31, 2018 when compared to the year ended June 30, 2018, due to incurring expenses related to wrapping up Board activities.

Statement of Revenue, Expenses, and Changes in Net Position: This statement presents information showing how the Board's net position changed during the six-month period ended December 31, 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Statement of Cash Flows: This statement presents operating activities, investing activities, and capital and related financing activities' cash flows. The Board generated most of its cash inflows from lease payments and expends most of its cash for debt service, including interest payments.

Notes to Financial Statements: The notes to financial statements provide additional information that is essential to a full understanding of the data provided. The notes to financial statements can be found immediately following the financial statements. The reader is encouraged to thoroughly study these notes in order to properly understand these financial statements. These notes show the future activity of the Board as it is currently known and expected for the estimated liabilities.

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

**STATEMENT OF NET POSITION
December 31, 2018**

ASSETS

Current Assets

Cash and cash equivalents (Note 2)	\$ 7,426
Cash and cash equivalents restricted for construction payments (Note 2)	247,643
Cash and investments held by escrow agent	<u>5,922,899</u>

Total assets

6,177,968

LIABILITIES AND NET POSITION

Current Liabilities

Estimated cost to complete leased property (Note 3)	71,428
Estimated payable to participating agencies - excess sales and use tax (Note 3)	6,065,294
Other accrued liabilities (Note 3)	<u>41,246</u>

Total liabilities

6,177,968

NET POSITION

Unrestricted net position	<u><u>\$ -</u></u>
---------------------------	--------------------

See Notes to Financial Statements.

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Six-Month Period Ended December 31, 2018**

Operating Expenses	\$ 62,992
Operating loss	<u>62,992</u>
Other Income (Expense)	
Investment income	41,992
Interest expense	<u>(108,557)</u>
	<u>(66,565)</u>
Net (decrease) in net position	<u>(129,557)</u>
Net Position, beginning	<u>129,557</u>
Net Position, ending	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

STATEMENT OF CASH FLOWS

For the Six-Month Period Ended December 31, 2018

Cash Flows from Operating Activities	
Payments to vendors	\$ (21,746)
Net cash (used in) operating activities	(21,746)
Cash Flows from Capital and Related Financing Activities	
Payment of bond principal	(11,045,000)
Interest paid	(255,425)
Expenditures capitalized in direct financing lease	(32,562)
Net cash (used in) capital and related financing activities	(11,332,987)
Cash Flows from Investing Activities	
Maturities of investments held by escrow agent	6,154,806
Investment income received	41,992
Net cash provided by investing activities	6,196,798
(Decrease) in cash and investments	(5,157,935)
Cash and Cash Equivalents, beginning	5,413,004
Cash and Cash Equivalents, ending	\$ 255,069
Reconciliation	
Operating loss	\$ (62,992)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in other accrued liabilities	41,246
Net cash (used in) operating activities	\$ (21,746)
Noncash Financing and Investment Activity Information	
Bond premium amortization	\$ 125,010
Change in accrued interest expense	\$ 21,858

See Notes to Financial Statements.

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activity and Significant Accounting Policies

The Sweetwater County 2013 Specific Purpose Tax Joint Powers Board (the “Board”) was created on March 1, 2013 under the Wyoming Joint Powers Act for the purpose of (i) paying the cost of acquisition and construction of road, water, sewer, street, storm drainage, lighting, firehouse, and healthcare facilities improvements for Sweetwater County, Wyoming; the towns of Granger, Superior, and Wamsutter, Wyoming; the cities of Green River and Rock Springs, Wyoming; and Castle Rock Special Hospital District (collectively, the “Participating Agencies”); (ii) establishing a debt service reserve fund for the Bonds; and (iii) paying expenses incurred in connection with the issuance of the Bonds.

A summary of the Board’s significant accounting policies follows:

Basis of presentation: The accompanying financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Method of accounting: The Board uses the accrual method of accounting. Revenues are recognized when earned and expenses are recorded at the time the liability is incurred.

Cash and cash equivalents: The Board has adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement establishes financial reporting standards for all state and local governments pertaining to the presentation and disclosure requirements of deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. For purposes of reporting the Statement of Cash Flows, the Board considers all cash, money market investments, and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents include money market mutual funds reported at market value. At December 31, 2018 \$7,426 was held in money market mutual funds invested in U.S. Treasury securities.

As of December 31, 2018, \$247,643 was held to be used to complete construction of the facilities and infrastructure currently under lease.

**SWEETWATER COUNTY 2013 SPECIFIC PURPOSE TAX
JOINT POWERS BOARD**

NOTES TO FINANCIAL STATEMENTS

**Note 3. Estimated Payable to Participating Agencies –
Excess Sales and Use Tax and Subsequent Event**

Specific purpose sales and use excise tax collections through December 31, 2018 exceeded the balloted tax amount. This excess amount, which was estimated to be \$6,065,294 as of December 31, 2018, was to be distributed to the Participating Agencies on a pro rata basis in accordance with the original balloted distribution schedule approximately one year after tax collections ceased. The specific purpose sales and use excise tax collections ceased in April 2018.

On April 5, 2019, a final distribution for the excess sales and use excise tax collected was made to the participating agencies in the amount of \$6,128,048. The remaining costs to complete leased property as of December 31, 2018 of \$71,428 was also distributed to the applicable agencies at this time. The difference between the actual amount distributed to participating agencies for excess sales and use excise tax collected and the estimated payable at December 31, 2018 is due to interest collected and operating expenses paid subsequent to December 31, 2018 in the amount of \$62,754. Further, as part of this final distribution, the Board retained \$41,246 in cash and investments held by the escrow agent, to be used to pay the remaining obligations of the Board. All remaining obligations of the Board are expected to be paid as of June 30, 2019, at which time the Board will cease to exist.

Note 4. Bonds Payable

The Board issued \$51,080,000 of lease revenue bonds in July 2013. The bonds were limited obligations of the Board and did not constitute an obligation or guarantee of the Participating Agencies. Although Specific Purpose Sales and Use Excise Tax Revenues from the Participating Agencies were not specifically pledged to pay debt service on the bonds, the Participating Agencies intend that the fiscal year appropriations for the lease payments would be made from the receipts thereof.

The final interest and principal payment was made on December 15, 2018, and the bonds were fully paid off as of that date.

Activity related to bonds payable during the six-month period ended December 31, 2018 was as follows:

Balance, beginning	\$ 11,170,010
Principal payments to bondholders	(11,045,000)
Bond premium amortization	(125,010)
Balance, ending	<u>\$ -</u>

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

To the Board of Directors
Sweetwater County 2013 Specific Purpose Tax
Joint Powers Board
Green River, 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 Sweetwater County 2013 Specific Purpose Tax Joint Powers Board (the "Board") as of and for the six-month period ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 12-2018-001 below, that we consider to be a material weakness.

**12-2018-001: Preparation of Financial Statements, Related Footnote Disclosures,
and Audit Adjustments**

Condition/Context: The Board of Directors and support staff have limited experience in compiling the financial statements and appropriate related footnote disclosures in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). As part of the audit, the Board of Directors requested us to prepare the Board's financial statements, including the related footnotes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance. Several journal entries were identified through the audit process that were necessary for the financial statements to be fairly presented in accordance with U.S. GAAP.

Criteria: Under our professional standards, the inability to ensure the propriety and completeness of the financial statements prepared in accordance with U.S. GAAP, including footnote disclosures, is considered a control deficiency.

Cause: The Board of Directors and support staff have considerable operational experience, but have limited experience in compiling the financial statements and appropriate related footnote disclosures in accordance with U.S. GAAP.

Effect: The limited experience relative to U.S. GAAP does not allow the Board of Directors or support staff, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements prepared on a U.S. GAAP basis in a timely manner. Potential misstatements could exist within the financial statements without being detected.

Views of Responsible Officials and Planned Corrective Action: The Board of Directors is aware of this potential issue and has determined that the current arrangement that utilizes an independent auditor to prepare the Board's financial statements, including the related footnotes, is sufficient. Given the nature of the Board, it is difficult to justify a position with the credentials identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 Board's Response to the Finding

The Board's response to the finding identified in our audit is described above as *Views of Responsible Officials and Planned Corrective Action*. The Board'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 results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheyenne, Wyoming
May 15, 2019