

**THOMPSON PALMER AND ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

# **SPRING CREEK IMPROVEMENT AND SERVICE DISTRICT**

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## **Financial Statements and Supplementary Information**

**For the year ended June 30, 2017**

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2017

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**Independent Auditor's Report**

December 13, 2017

Board of Directors  
Spring Creek Improvement & Service District  
Jackson, Wyoming

**Report on the Financial Statements**

We have audited the accompanying financial statements of Spring Creek Improvement & Service District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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. 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Spring Creek Improvement & Service District  
Independent Auditor's Report  
December 13, 2017

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Spring Creek Improvement & Service District as of June 30, 2017, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles accepted in the United States of America require that the management's discussion and analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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 December 13, 2017, on our consideration of the District'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 internal control over financial reporting and compliance.



Thompson Palmer & Associates, PC  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Spring Creek Improvement & Service District's ("SCISD") discussion and analysis provides an overview of the SCISD's financial activities for the fiscal year ended June 30, 2017.

This discussion and analysis is intended to serve as an introduction to Spring Creek Improvement and Service District's basic financial statements. SCISD's basic financial statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This management report contains other supplementary information in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad view of SCISD's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of SCISD's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SCISD is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. 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 only result in cash flows in future fiscal periods.

### FUND FINANCIAL STATEMENTS

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SCISD, like other government entities, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SCISD has only one fund.

SCISD's fund is a *governmental fund*. Governmental funds are used to account for essentially the same functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

## NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are a part of the basic financial statements.

### FINANCIAL HIGHLIGHTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SCISD, assets exceeded liabilities by \$2,593,240 at the close of the fiscal year. The SCISD's combined net assets of the SCISD increased by \$113,368 or 4.6%.

#### **ASSETS**

##### CURRENT ASSETS

	<u>2017</u>	<u>2016</u>
Cash & Cash Equivalents	610,463	388,139
Accounts Receivable	13,477	25,120
<b>TOTAL CURRENT ASSETS</b>	<b>623,940</b>	<b>413,259</b>

##### CAPITAL ASSETS

Easement	50,000	50,000
Water System	1,653,717	1,728,890
Sewer System	540,449	581,129
Road System	1,001,986	1,066,945
Loan Fees	2,916	3,049
<b>TOTAL CAPITAL ASSETS</b>	<b>3,249,067</b>	<b>3,430,013</b>

#### **TOTAL ASSETS**

<b>3,873,007</b>	<b>3,843,272</b>
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#### **LIABILITIES**

##### CURRENT LIABILITIES

Current Liabilities	165,319	128,627
<b>CURRENT LIABILITIES</b>	<b>165,319</b>	<b>128,627</b>

##### LONG TERM LIABILITIES

N/P - SLIF - Water Pumps & Telemetry	356,599	376,120
N/P - SLIF - Water Meters	184,386	196,682
N/P - WF - Road Improvements	577,337	662,316
SCHOA Loan	116,320	116,320
Less current portion of long term debt	(120,194)	(116,666)
<b>LONG TERM LIABILITIES</b>	<b>1,114,448</b>	<b>1,234,772</b>

#### **TOTAL LIABILITIES**

<b>1,279,767</b>	<b>1,363,399</b>
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#### **NET ASSETS**

<b>2,593,240</b>	<b>2,479,873</b>
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A 2017 statement of changes in fund balance follows:

<u>GENERAL REVENUES</u>		
Assessments		358,952
Penalties & Interest on Assess		1,423
Interest Earned		143
Other – Connection Fee		57,596
TOTAL GENERAL REVENUES		<u>418,114</u>
<u>EXPENDITURES</u>		
Wells Fargo - Road Bond		
Principal Reduction	84,979	
Interest	<u>22,727</u>	107,706
DWSRF – Water System		
Principal Reduction	19,521	
Interest	<u>9,326</u>	28,847
DWSRF – Water Meters		
Principal Reduction	12,296	
Interest	<u>-</u>	12,296
Capital Outlay		3,585
Legal Services		7,110
Accounting Services		6,600
Other Services		-
Other Expense		40
Insurance - Bldg/GL		12,458
Insurance - D&O		2,793
Road Maintenance		1,650
Water System Maintenance		35,645
Sewer System Maintenance		22,845
TOTAL EXPENDITURES		<u>241,576</u>
CHANGE IN NET POSITION		<u>176,538</u>
FUND BALANCE, beginning of the year		413,259
FUND BALANCE, current		<u><u>589,797</u></u>

The largest portion of SCISD's net position is its investment in capital assets which includes the water, sewer and road systems.

	2017	2016
<u>CAPITAL ASSETS</u>		
Easement	50,000	50,000
Water System	1,653,717	1,728,890
Sewer System	540,449	581,128
Road System	1,001,986	1,066,944
Loan Fees	2,916	3,049
TOTAL CAPITAL ASSETS	3,249,067	3,430,012

The Statement of Activities for 2017 follows:

	2017
<u>GENERAL REVENUES</u>	
Assessments	358,952
Penalties & Interest on Assess	1,423
Interest Earned	143
Other – Connection Fee	57,596
TOTAL GENERAL REVENUES	418,114
<u>PROGRAM EXPENSES</u>	
Administrative	13,749
Materials & Services	75,393
Depreciation & Amortization	184,530
Interest	31,073
TOTAL PROGRAM EXPENSES	304,745
CHANGE IN NET POSITION	113,368



Budget Comparison:

	YTD June 2017	YTD Budget June 2017	Var
<u>GENERAL REVENUES</u>			
Assessments	358,952	374,175	(15,223)
Penalties & Interest on Assess	1,423	-	1,423
Interest Earned	143	1,800	(1,657)
Other	57,596	-	57,596
<b>TOTAL GENERAL REVENUES</b>	<b>418,114</b>	<b>375,975</b>	<b>42,139</b>
<u>PROGRAM EXPENSES</u>			
Administrative	25,415	43,800	(18,385)
Materials & Services	63,727	40,920	22,807
Interest	32,053	32,183	(130)
Principal Reduction	116,796	116,663	133
Capital Outlay	3,585	135,959	(132,374)
<b>TOTAL PROGRAM EXPENSES</b>	<b>241,576</b>	<b>369,525</b>	<b>(127,949)</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>176,538</b>	<b>6,450</b>	<b>170,088</b>

## MANAGEMENT SUMMARY

In FY2017, the SCISD General Fund increased by \$176,538 to \$589,797 with a cash balance of \$610,463 at June 30, 2017. The SCISD budgets to accumulate general funds for the eventual repair or replacement of assets. In FY 2017, the SCISD anticipated accumulating about \$140,000 for undetermined future projects. The additional approximately increase in the general fund was the result of expenses generally being below budget, the accumulation of funds for future projects, plus the receipt of \$57,596 from the JH Airport Board to connect to the SCISD's sewer lines. In the areas of water system maintenance/oversight, accounting and legal expense, actual expenditures were below budget by about \$14,300, and \$15,400 respectively.

The SCISD Board considered the growth in the general fund in the FY2017 Budget. The Board is anticipating some major projects in the future, including the design and construction of a new water well, backup power generators for the water system, and continued capital maintenance programs for the road, water and sewer systems. The intent is to use General Funds for these projects as the need arises. If the General Fund does not have the capacity to fund these projects, the SCISD Board will look to borrow funds from other sources or ask the Spring Creek HOA to help fund the projects.

The SCISD is in a sound financial position with a strong cash position. The community is also strong with no provision for bad debt and no delinquent accounts. With the Spring Creek HOA overseeing and handling the daily operations of the road, water and sewer infrastructure, management is limited to servicing debt, and overseeing the long-term health of the assets. The recent upgrades and improvements to the road and water system are examples. In the future, the SCISD Board will continue with similar programs and look to provide enhancements and improvements for the community.

**SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

**Statement of Net Position  
June 30, 2017**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 610,463
Taxes receivable	13,477
Capital assets (net of accumulated depreciation):	
Easement	50,000
Water system	1,650,132
Sewer system	540,449
Roads	1,001,986
Construction in Process	3,584
Loan fees (net of accumulated amortization)	<u>2,916</u>
Total assets	\$ 3,873,007
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 34,144
Accrued interest payable	10,981
Non-current liabilities:	
Due within one year	120,194
Due in more than one year	<u>1,114,448</u>
 Total liabilities	 <u>1,279,767</u>
 <b>Net Position</b>	
Net investment in capital assets	2,127,829
Unrestricted	<u>465,411</u>
 Total net position	 <u><u>\$ 2,593,240</u></u>

The accompanying notes are an integral part of this statement.

**SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

**Statement of Activities  
For the Year Ended  
June 30, 2017**

**Expenses:**

Water, sewer and road systems:

Personal services	\$ 13,749
Materials and services	75,393
Depreciation and amortization	184,530
Interest	<u>31,073</u>

Total Expenses 304,745

**Program Revenues:**

Total program revenues -

**Net program revenue** ( 304,745)

**General revenues:**

Taxes	360,375
Investment earnings	143
<b>Special item – connection fee</b>	<u>57,596</u>

Total general revenues and special items 418,114

Change in net position 113,368

Net position - beginning of the year 2,479,872

Net position - end of the year \$ 2,593,240

The accompanying notes are an integral part of this statement.

**SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

**Balance Sheet  
Governmental Funds  
June 30, 2017**

**Assets**

Cash and cash equivalents	\$ 610,463
Taxes receivable	<u>13,477</u>
Total assets	<u><u>\$ 623,940</u></u>

**Liabilities and Fund Balance**

Liabilities	
Accounts payable	<u>34,144</u>
Total liabilities	34,144
Fund balance	
Unassigned	<u>589,796</u>
Total fund balance	<u><u>\$ 623,940</u></u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 3,249,067
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>( 1,245,623)</u>
Net position of governmental activities	<u><u>\$ 2,593,240</u></u>

The accompanying notes are an integral part of this statement.

**SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended  
June 30, 2017**

<b>Revenues</b>		
Taxes	\$	360,375
Investment earnings		<u>143</u>
Total revenues		360,518
<b>Expenditures</b>		
Current:		
General government		89,142
Capital outlay		3,585
Debt Service:		
Loan payments, principal		116,796
Loan payments, interest		<u>32,053</u>
Total expenditures		241,576
Excess of revenues over expenditures		118,942
<b>Special Item</b>		
Connection Fee		57,596
Net change in fund balance		<u>176,538</u>
Fund balance – beginning		<u>413,259</u>
Fund balance – ending	\$	<u><u>589,797</u></u>

The accompanying notes are an integral part of this statement.

**SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances  
of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2017**

Net change in fund balance—total governmental funds	\$	176,538
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(	180,812)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		116,796
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		846
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Change in net position of governmental activities	\$	<u>113,368</u>
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The accompanying notes are an integral part of this statement.

## **SPRING CREEK IMPROVEMENT & SERVICE DISTRICT**

### **Notes to Financial Statements**

#### **I. Summary of significant accounting policies**

##### **A. Reporting entity**

The Spring Creek Improvement & Service District is governed by an elected three member board. The District's purpose is to acquire, construct, operate and maintain improvements of local necessity and convenience for the Spring Creek Ranch area of Teton County, Wyoming.

The criteria used to determine the reporting entity are consistent with Section 2100 "Defining the Reporting Entity" of the Codification of Governmental Accounting and Financial Reporting Standards published by Governmental Accounting Standards Board (GASB).

The accounting policies of the Spring Creek Improvement & Service District conform to generally accepted accounting principles as applicable to governments.

##### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the District.

The statement of activities demonstrates the degree, to which the direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the District's funds.

##### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. Governmental grants are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise general revenues include all taxes.

#### **D. Assets, liabilities, and net position or equity**

##### **1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

##### **2. Receivables**

All receivables are considered collectible. The District uses the direct write-off method and therefore, only recognizes bad debt expense when an account is considered uncollectible.

##### **3. Inventories and prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### **4. Capital assets**

Capital assets, which include property, vehicles, equipment, and furnishings, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, vehicles and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads	20-30
Water system	30-50
Sewer system	15-40

## **5. Long-term obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, if material, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **6. Fund equity and net position**

In the fund financial statements, governmental funds may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At the current year end there were no reservations of fund balances.

Net position in government wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments.

## **7. Accounting estimates**

The preparation of financial statements require management to make estimates

that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual amounts may differ from estimates.

## II. Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$1,245,623 difference are as follows:

Loan payable	\$ 116,320
Loans payable	540,986
Bond payable	577,337
Accrued interest payable	10,981
<hr/>	
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ ( 1,245,623)</u></u>

Another element of the reconciliation explains “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this \$3,249,067 difference are as follows:

Prior year general fixed assets	\$ 7,312,453
Add: Current year additions to fixed assets	3,585
Less: Accumulated depreciation and amortization	( 4,066,971)
<hr/>	
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position governmental activities</i>	<u><u>\$ 3,249,067</u></u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide

statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$180,812 difference are as follows:

Capital outlay	\$ 3,585
Depreciation expense	( 184,397)
	<hr/>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ ( 180,812)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this \$116,796 difference are as follows:

Principal repayments:	
Loan payable	31,817
Bond payable	84,979
	<hr/>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 116,796</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$847 difference are as follows:

Accrued interest payable – prior year	\$ 11,961
Accrued interest payable – current year	( 10,981)
Amortization of issuance costs	( 133)
	<hr/>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 847</u></u>

### **III. Stewardship, compliance, and accountability**

#### **A. Budgets and budgetary accounting**

The District follows these procedures in establishing the budget:

The District Board prepares a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed

expenditures and the means of financing them.

The budget is approved at the annual meeting, or a special meeting, of the District.

The budget will be adopted as the budget for the District upon the affirmative vote of a majority of the Directors, unless a majority of the property owners in the District object to the adoption of the budget in writing on or before the date Directors resolve to adopt the budget.

A budget is only required when there is substantial financial activity by the District.

#### **IV. Detailed notes on all funds**

##### **A. Deposits and investments**

Cash and investments are carried at fair value in accordance with GASB Statement No. 31. They consist of cash in banks and cash on hand of \$610,463.

Wyoming State Statutes allow the District to invest in U.S. and state and local government securities and accounts of any bank and savings associations which are federally insured. Stocks and bonds of private corporations as well as repurchase and reverse repurchase agreements are a prohibited investment means for the District. At year end the carrying amount and bank balances of the District's depository balances and their collateralized status were as follows:

	<u>Bank Balances</u>	<u>Carrying Amount</u>
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized by securities held by the District or its Agent in the District's name	<u>360,595</u>	<u>360,595</u>
Total Insured or Pledged	\$ 610,595	\$ 610,595
Account Balance, 6/30/17	<u>610,463</u>	<u>610,463</u>
Excess insured / Collateralized	<u>\$ 132</u>	<u>\$ 132</u>

##### **B. Receivables**

Receivables as of year end for the District are as follows:

Receivables:	
Taxes	<u>\$ 13,477</u>
Total	<u>\$ 13,477</u>

### C. Capital assets

The District has implemented GASB 34, which requires all capital assets of the District, including infrastructure, to be reported on the government wide financial statements and depreciated.

Capital asset activity for the year ended was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable capital assets:				
Easement	\$ 50,000	\$ -	\$ -	\$ 50,000
Total	50,000	-	-	50,000
Depreciable capital assets:				
Roads	2,281,014	-	-	2,281,014
Water system	3,304,320	-	-	3,304,320
Sewer system	1,673,119	-	-	1,673,119
Construction in Progress	-	3,854	-	3,584
Total	<u>7,258,453</u>	<u>3,854</u>	<u>-</u>	<u>7,262,037</u>
Total capital assets	7,308,453	3,584	-	7,312,037
Less accumulated depreciation for:				
Roads	1,214,069	64,959	-	1,279,028
Water system	1,575,430	78,758	-	1,654,188
Sewer system	<u>1,091,990</u>	<u>40,680</u>	<u>-</u>	<u>1,132,670</u>
Total accumulated depreciation	<u>3,881,489</u>	<u>184,397</u>	<u>-</u>	<u>4,065,886</u>
Governmental activities capital assets, net	<u>\$ 3,430,549</u>	<u>\$ ( 184,397)</u>	<u>\$ -</u>	<u>\$ 3,246,151</u>

Depreciation expense of \$184,397 was charged to functions/programs of the District.

### D. Long-term debt

#### Loans payable

#### *Wyoming State Land & Investment Board*

On July 1, 2011 the District signed a promissory note, in the amount of \$450,000, with the Wyoming State Loan & Investment Board, for the purpose of funding the District's water system improvement project. Upon completion of the project, the loan was amended because not all funds were drawn and payments made resulting in the face of the note being \$432,097.77. The loan is secured by the District with the pledge and assignment of revenues from the District's property tax assessments. This assignment will be in effect for the term of the loan. The loan is payable in 20 annual installments of \$28,847 including interest at 2.5%. The balance at year-end is \$356,599.

On January 23, 2012, the District signed a promissory note, in the amount of \$350,000, with the Wyoming State Loan & Investment Board, for the purpose of funding the District's water meter project. Upon completion of the project, the District relinquished \$22,195 in unused funds and the Wyoming State Land & Investment Board forgave \$81,951 of the loan principal resulting in an amended promissory note for \$245,853 payable in 20 annual installments of \$12,293 including interest at 0%. The loan is secured by the District with the pledge and assignment of revenues from the District's property tax assessments. This assignment will be in effect for the term of the loan. The balance at year-end is \$184,386.

#### *Spring Creek Homeowner's Association*

The Homeowner's Association advanced \$116,320 to the District during the recent construction projects. The operating agreement between the HOA and the District provide for such advances with repayment to be made as requested by the HOA based upon available resources in the ISD. This loan is considered long-term because it is not expected to be paid from current resources. The current balance is \$116,320.

#### Bond payable

On May 30, 2012, the District issued a general obligation bond with a face amount of \$900,000. The bond bears interest at 3.55% per year. The bond is payable in semi-annual installments until paid in full on January 15, 2023. The bond's current balance is \$577,337.

Annual debt service requirements to maturity are as follows:

Year ending	Governmental Activities	
	Principal	Interest
June 30 <sup>th</sup>	120,218	28,628
2018	123,859	24,988
2019	127,634	21,212
2020	131,539	17,307
2021	135,577	13,269
2022-2027	284,742	28,644
2027-2032	194,753	10,124
Total	<u>\$ 1,118,322</u>	<u>\$ 144,172</u>

### Changes in long-term liabilities

Long-term liability activity for the year ended was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Loan payable	\$ 572,803	\$ -	\$ ( 31,817)	\$ 540,985	\$ 32,211
Bond payable	662,316	-	( 84,979)	577,337	87,984
Related party payable	<u>116,320</u>	<u>-</u>	<u>-</u>	<u>116,320</u>	<u>-</u>
Total	<u>\$ 1,351,439</u>	<u>\$ -</u>	<u>\$ ( 116,796)</u>	<u>\$ 1,234,642</u>	<u>\$ 120,194</u>

### **E. Related party transactions**

The boundaries of the District are almost identical to the boundaries of the Spring Creek Ranch Development; therefore, the Homeowner's Association and the District have the common goal to appropriately maintain the infrastructure within the boundaries. In March 2011, the District and the Homeowner's Association entered into an agreement to provide services within their boundaries.

As part of the agreement, the Homeowner's Association may pay for improvements or advance funds to the District to perform improvements. If such amounts are paid by the Homeowner's Association, they may request reimbursement from the District. As of year-end, the District had accounts payable to the Homeowner's Association in the amount of \$33,514 and a liability of \$116,320.

### **F. Subsequent events**

Management has evaluated subsequent events through December 13, 2017, the date on which the financial statements were available to be issued.

On August 16, 2016 the District, Spring Creek HOA, Jackson Hole Airport and Town of Jackson entered into a memorandum of understanding that the District would allow the Airport to connect to the District's sewer system which ultimately flows into the Town of Jackson's treatment facility. In order to accommodate increased flow, a new lift station would be built by the Town of Jackson with Airport funds.

The Airport paid the District a connection fee of \$57,595.57 for use of the District's gravity flow line from the Gros Ventre Utilities pipeline to the new lift station.

Currently, the new lift station is under construction. Upon completion, the District will convey to the Town the old lift station, south pipeline and the easements related to this property. At that time the old lift station will be taken offline and subsequently dismantled. In addition, the District will pay the Town of Jackson a one-time fee of \$25,000 for operations and maintenance of the new lift station and pipeline.



**V. Other information**

**A. Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**SPRING CREEK IMPROVEMENT AND SERVICE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual General Fund (unaudited)**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>				
Taxes	\$ 374,175	\$ 374,175	\$ 360,375	\$ (13,800)
Other Revenue	-	-	57,596	57,596
Investment earnings	<u>1,800</u>	<u>1,800</u>	<u>143</u>	<u>(1,657)</u>
Total Revenues	375,975	375,975	418,114	42,138
 <b>Expenditures</b>				
Current:				
General government	84,720	84,720	89,142	4,422
Debt service:				
Principal	116,663	116,663	116,796	133
Interest	32,183	32,183	32,053	(130)
Capital outlay	<u>135,959</u>	<u>135,959</u>	<u>3,585</u>	<u>(132,374)</u>
Total Expenditures	369,525	369,525	241,576	(127,949)
 Excess (deficiency) of				
Revenues over expenditures	6,450	6,450	176,538	170,088
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and net change in fund balance	\$ <u>6,450</u>	\$ <u>6,450</u>	\$ <u>176,538</u>	\$ <u>170,088</u>
 <b>Fund balance – beginning</b>		<u>413,259</u>		
 <b>Fund balance – ending</b>		\$ <u>589,796</u>		

# Thompson, Palmer & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

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275 EAST BROADWAY

December 13, 2017

## **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***

Board of Directors  
Spring Creek Improvement & Service District  
Jackson, Wyoming

We have audited, 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, the financial statements of Spring Creek Improvement & Service District as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Spring Creek Improvement & Service District'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 Spring Creek Improvement & Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Spring Creek Improvement & Service District's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting 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. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Spring Creek Improvement & Service District's financial statements are free of 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*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Thompson, Palmer & Associates, PC  
Certified Public Accountants