



SPRING CREEK IMPROVEMENT AND SERVICE DISTRICT

Financial Statements and Supplementary Information

For the year ended June 30, 2018

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2018

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Independent Auditor's Report

December 11, 2018

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and governmental fund of Spring Creek Improvement & Service District as of and for the year ended June 30, 2018, 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.

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, 2018, 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 11, 2018, 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, 2018. 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 SCID'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 \$2,715,731 at the close of the fiscal year. The SCISD's combined net assets of the SCISD increased by \$122,491 or 4.7%.

ASSETS		
<u>CURRENT ASSETS</u>	<u>2018</u>	<u>2017</u>
General Fund	721,041	610,463
Accounts Receivable	11,404	13,477
TOTAL CURRENT ASSETS	732,445	623,940
 <u>CAPITAL ASSETS</u>		
Construction in Process	163,518	-
Easement	50,000.00	50,000
Water System	1,570,092	1,653,717
Sewer System	493,905	540,449
Road System	930,953	1,001,986
Loan Fees	2,783	2,916
TOTAL CAPITAL ASSETS	3,211,251	3,249,067
TOTAL ASSETS	3,943,696	3,873,007
 LIABILITIES		
<u>CURRENT LIABILITIES</u>		
Current Liabilities	237,558	165,319
CURRENT LIABILITIES	237,558	165,319
 <u>LONG TERM LIABILITIES</u>		
N/P - SLIF - Water Pumps & Telemetry	336,594	356,599
N/P - SLIF - Water Meters	172,097	184,386
N/P - WF - Road Improvements	489,309	577,337
SCHOA Loan	116,320	116,320
Less Current Portion of Debt	(123,912)	(120,194)
LONG TERM LIABILITIES	990,407	1,114,448
TOTAL LIABILITIES	1,227,965	1,279,767
NET ASSETS	2,715,731	2,593,240

A 2018 statement of changes in fund balance follows:

GENERAL REVENUES

Assessments		407,823
Penalties & Interest on Assessments		1,725
Interest Earned		198
		<hr/>
TOTAL GENERAL REVENUES		409,746

EXPENDITURES

Wells Fargo - Road Bond		
Principal Reduction	88,028	
Interest	19,678	107,706
	<hr/>	
DWSRF – Water System		
Principal Reduction	20,005	
Interest	8,845	28,850
	<hr/>	
DWSRF – Water Meters		
Principal Reduction	12,293	
Interest	-	12,293
	<hr/>	
Capital Outlay		159,933
Legal Services		1,815
Accounting Services		7,640
Other Services		-
Other Expense		111
Insurance - Bldg/GL		11,417
Insurance - D&O		2,793
Road Maintenance		4,149
Water System Maintenance		7,448
Sewer System Maintenance		2,060
One Time Sewer Maintenance		25,000
		<hr/>
TOTAL EXPENDITURES		371,215
		<hr/>
CHANGE IN NET POSITION		38,531
		<hr/>
FUND BALANCE, beginning of the year		589,797
		<hr/>
FUND BALANCE, current		628,328
		<hr/>

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

	2018	2017
<u>CAPITAL ASSETS</u>		
Construction in Progress	163,518	-
Easement	50,000	50,000
Water System	1,570,092	1,653,717
Sewer System	493,905	540,449
Road System	930,953	1,001,986
Loan Fees	2,783	2,916
TOTAL CAPITAL ASSETS	3,211,251	3,249,067

Statement of Activities:

<u>GENERAL REVENUES</u>	<u>2018</u>
Assessments	407,823
Penalties & Interest on Assess	1,725
Interest Earned	198
Other	-
TOTAL GENERAL REVENUES	409,746
<u>PROGRAM EXPENSES</u>	
Administrative	9,566
Materials & Services	27,868
Depreciation & Amortization	191,641
Interest	27,071
TOTAL PROGRAM EXPENSES	256,146
Loss on Disposal of Asset	(6,109)
One Time Sewer Maintenance	(25,000)
CHANGE IN NET POSITION	122,491

Budget Comparison:

	YTD Jun 2018	YTD Budget Jun 2018	Var
<u>GENERAL REVENUES</u>			
Assessments	407,823	411,089	(3,266)
Penalties & Interest on Assess	1,725	-	1,725
Interest Earned	198	1,800	(1,602)
	<hr/>		
TOTAL GENERAL REVENUES	409,746	412,889	(3,143)
<u>PROGRAM EXPENSES</u>			
Administrative	9,565	31,200	21,635
Materials & Services	27,868	45,570	17,702
Interest	28,523	28,655	132
Principal Reduction	120,326	119,705	(621)
Capital Outlay	159,933	560,959	401,026
	<hr/>		
TOTAL PROGRAM EXPENSES	346,215	786,089	439,874
One Time Sewer Maintenance	(25,000)	-	(25,000)
	<hr/>		
NET POSITION	38,531	(373,200)	411,731
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MANAGEMENT SUMMARY

In FY2018, the SCISD General Fund increased by \$38,531 to \$628,328 with a cash balance of \$721,041 at June 30, 2018. The SCISD budgets to accumulate general funds for the eventual repair or replacement of assets. At fiscal year end, the SCISD had vouchers payable totaling \$104,117 substantially related to the new water well construction. In FY2018, in addition to ongoing operations, the SCISD anticipated spending \$538,000 for the construction of new water well. The project was not completed as scheduled with expense of only \$159,933 incurred. Completion is now scheduled in FY2019. In the areas of water system maintenance/oversight, accounting and legal expense, actual expenditures were below budget by a combined \$14,337.

The Board is anticipating major projects in the future, including the completion of the new water well, the investigation and possible installation of backup power sources for the water and sewer system, significant capital maintenance programs for the road network, and miscellaneous water and sewer projects. 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. Currently, the SCISD has applied for a loan from the Wyoming Office of State Lands and Investments to complete the new water well. The remaining funds will be used for other approved projects, and maintain a healthy general fund balance.

The SCISD is in a sound financial position with strong cash balances. 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, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 721,041
Taxes Receivable	11,404
Capital assets (net of accumulated depreciation):	
Construction in Process	163,518
Easement	50,000
Water system	1,570,092
Sewer system	493,905
Roads	930,953
Loan fees (net of accumulated amortization)	2,783
	<hr/>
Total assets	\$ 3,943,696
Liabilities	
Current Liabilities	
Accounts payable	\$ 104,117
Accrued interest payable	9,529
Non-current liabilities	
Due within one year	123,912
Due in more than one year	990,407
	<hr/>
Total liabilities	1,227,965
	<hr/>
Net Position	
Net investment in capital assets	2,213,252
Unrestricted	502,479
	<hr/>
Total net position	\$ 2,715,731
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The accompanying notes are an integral part of this statement

Spring Creek Improvement & Service District
Statement of Activities
For the Year Ended, June 30, 2018

Expenses:

Water, sewer and road systems:	
Personal services	\$ 9,566
Materials and services	27,868
Depreciation and amortization	191,641
Interest	27,071
	<hr/>
Total Expenses	256,146

Program Revenues:

Total program revenues	<hr/> -
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Net program revenue	(256,146)
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General Revenues:

Assessments	409,548
Investment earnings	198
	<hr/>
Total general revenues	409,746

Special Items:

Loss on asset disposal	(6,109)
One time sewer maintenance payment	<hr/> (25,000)

Total general revenues and special items	378,637
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Change in net position	122,491
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Net position beginning	<hr/> 2,593,240
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Net position end	<hr/> \$ 2,715,731
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The accompanying notes are an integral part of this statement.

Spring Creek Improvement & Service District
Balance Sheet
Governmental Funds
June 30, 2018

Assets

Cash and cash equivalents	\$ 721,041
Taxes receivable	<u>11,404</u>
Total assets	<u><u>\$ 732,445</u></u>

Liabilities and Fund Balance

Liabilities	
Accounts payable	\$ <u>104,117</u>
Total liabilities	<u>104,117</u>
Fund balance	
Unassigned	<u>628,328</u>
Total fund balance	<u>628,328</u>
Total liabilities and fund balance	<u><u>\$ 732,445</u></u>

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

Fund balance - governmental funds	628,328
Capital assets and loan fees used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,211,251
Some liabilities including accrued interest and long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,123,848)</u>
Net position of governmental activities	<u><u>\$ 2,715,731</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, 2018

Revenues

Assessments	\$	409,548
Investment earnings		<u>198</u>
Total revenues		409,746

Expenditures

Current:		
General government		37,433
Debt Service		
Loan payments, principal		120,326
Loan payments, interest		28,523
Capital outlay		<u>159,933</u>
Total Expenditures		<u>346,215</u>

Excess (deficiency) of Revenues over expenditures		<u>63,531</u>
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Special Item

One time sewer maintenance payment		(25,000)
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Net change in fund balance		38,531
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Fund balance beginning		<u>589,797</u>
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Fund balance ending	\$	<u><u>628,328</u></u>
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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, 2018

Net change in fund balance - total governmental funds	\$	38,531
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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.	(31,575)
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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.	120,326
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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.	<u>(4,791)</u>
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Change in net position of governmental activities	<u>\$</u>	<u>122,491</u>
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The accompanying notes are an integral part of this statement.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements
June 30, 2018

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.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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 \$1,123,848 difference are as follows:

Loans - due within one year	\$ 123,912
Loans - due in more than one year	990,407
Accrued interest payable on loans	9,529
	<hr/>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u><u>\$ (1,123,848)</u></u>

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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 \$3,211,251 difference are as follows:

Prior year general fixed assets	\$ 7,316,038
Add: Current year additions to fixed assets	159,933
Less: Current year deletions to fixed assets	(138,680)
Less: Accumulated depreciaton and amortization	<u>(4,126,040)</u>
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>\$ 3,211,251</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 \$31,575 difference are as follows:

Capital outlay	\$ 159,933
Depreciation expense	<u>(191,508)</u>
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>\$ (31,575)</u></u>

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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 \$120,326 difference are as follows:

Principal repayments:	
Loans payable	\$ 32,298
Bond payable	<u>88,028</u>
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>\$ 120,326</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 \$4,791 difference are as follows:

Loss on disposal of asset	\$ (6,109)
Accrued interest payable - prior year	10,980
Accrued interest payable - current year	(9,529)
Amortization of issuance costs	<u>(133)</u>
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>\$ (4,791)</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.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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 \$721,041.

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:

	Bank Balances	Carrying Amount
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized with securities held by the pledging institution's trust department or agent in the District's name	478,332	478,332
Total Insured or Collateralized	<u>728,332</u>	<u>728,332</u>
Account Balance, 6/30/18	721,041	721,041
Excess insured / collateralized	<u>\$ 7,291</u>	<u>\$ 7,291</u>

B. Receivables

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

Receivables:	
Assessments	\$ 11,404
Total	<u>\$ 11,404</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.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

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		138,680	1,534,439
Construction in Progress	3,585	159,933		163,518
Total	7,262,038	159,933	138,680	7,283,291
Total capital assets	7,312,038	159,933	138,680	7,333,291
Less accumulated depreciation for:				
Roads	1,279,028	71,033	-	1,350,061
Water system	1,654,188	80,040	-	1,734,228
Sewer system	1,132,670	40,435	132,571	1,040,534
Total accumulated depreciation	4,065,886	191,508	132,571	4,124,823
Governmental activities capital assets, net	<u>\$ 3,246,152</u>	<u>\$ (31,575)</u>	<u>\$ 6,109</u>	<u>\$ 3,208,468</u>

Depreciation expense of \$191,508 was charged to functions/programs of the District.

D. Accounts Payable

Accounts payable as of year end for the District are as follows:

Accounts Payable:	
Construction in process	\$ 77,867
Road maintenance	1,144
Legal	105
One time sewer maintenance	25,000
Total	<u>\$ 104,117</u>

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

E. 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 \$336,593.

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 \$172,097.

Spring Creek Homeowner's Association

The Homeowner's Association advanced \$116,320 to the District during previous 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 \$489,309.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

Annual debt service requirements to maturity are as follows:

Year ending June 30th	Governmental Activities	
	Principal	Interest
2019	123,912	24,935
2020	127,639	21,207
2021	131,544	17,302
2022	135,583	13,263
2023	139,494	9,086
2023 - 2028	182,975	22,724
2028 - 2032	273,172	6,779
Total	<u>\$ 1,114,319</u>	<u>\$ 115,296</u>

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Loans payable	540,989	-	(32,298)	508,690	32,725
Bond payable	577,337	-	(88,028)	489,309	91,187
Related party payable	116,320	-	-	116,320	-
Total	<u>\$ 1,234,646</u>	<u>\$ -</u>	<u>\$ (120,326)</u>	<u>\$ 1,114,319</u>	<u>\$ 123,912</u>

F. 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 - 0 - and a liability of \$116,320.

SPRING CREEK IMPROVEMENT & SERVICE DISTRICT
Notes to Financial Statements (continued)
June 30, 2018

G. Subsequent events

Management has evaluated subsequent events through December 11, 2018, the date on which the financial statements were available to be issued.

In Fiscal Year 2018, the District anticipated spending \$538,000 for the construction of a new water well. The project was delayed due to bidding, contractor availability and other related issues. In the fall of 2018, the District applied for a loan with the Wyoming Office of State Lands to finance completion of the well. The District will have a vote to approve the loan application in the near future. If the voting is in the affirmative, the loan application process will proceed. Otherwise, the project will be funded through assessments.

Road repairs that were originally scheduled for Fiscal Year 2018, have been rescheduled for July 2019 or later due to weather and other issues.

H. Committed Contracts

At June 30, 2018 the District had \$ 3,761 in commitments for uncompleted construction contracts.

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 & Service District
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual General Fund (unaudited)
For the Year Ended June 30, 2018

	Budgeted Amounts			Positive / (Negative) Variance
	Original	Final	Actual	
Revenues				
Assessments	\$ 411,089	\$ 411,089	\$ 409,548	\$ (1,541)
Investment earnings	1,800	1,800	198	(1,602)
Total revenues	412,889	412,889	409,746	(3,143)
Expenditures				
Current:				
General government	76,770	76,770	37,433	39,337
Debt Service				
Loan payments, principal	119,705	119,705	120,326	(621)
Loan payments, interest	28,655	28,655	28,523	132
Capital outlay	560,959	560,959	159,933	401,026
Total Expenditures	786,089	786,089	346,215	439,874
Excess (deficiency) of Revenues over expenditures	(373,200)	(373,200)	63,531	436,731
Special Item				
One time sewer maintenance payment	-	-	(25,000)	(25,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and net change in fund balance	<u>\$ (373,200)</u>	<u>\$ (373,200)</u>	<u>\$ 38,531</u>	<u>\$ 411,731</u>
Fund balance beginning			<u>589,797</u>	
Fund balance ending			<u>\$ 628,328</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***

December 11, 2018

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2018.

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