

TICABOO UTILITY IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

Independent Auditors' Report

Board of Trustees
Ticaboo Utility Improvement District
Lake Powell, Utah 84533

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Ticaboo Utility Improvement District, a component unit of Garfield County, as of and for the year ended December 31, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Ticaboo Utility Improvement District, as of December 31, 2016, and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's financial statements for the year ended December 31, 2015, and our report dated July 8, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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 the 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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 the 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

Hinton Burdick, PLLC
St. George, Utah
May 26, 2017

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TICABOO UTILITY IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ticaboo Utility Improvement District, we offer readers of the financial statements this narrative discussion, overview, and analysis of the District's financial activities for the year ending December 31, 2016. We encourage readers to consider the information presented here as an overview of the operations of the Ticaboo Utility Improvement District. This discussion and analysis is not intended to cover every aspect of the daily activities of the Ticaboo Utility Improvement District.

Financial Highlights

- The assets of Ticaboo Utility Improvement District exceeded its liabilities as of the close of the most recent year by \$2,149,318 (*net position*). Of this amount, \$68,871 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Local Improvement District's total net position decreased during the year by \$55,758.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Ticaboo Utility Improvement District's basic financial statements. The District's basic financial statements are comprised of three components; the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows. The financial statements are designed to provide readers with a broad overview of the Ticaboo Utility Improvement District's finances, in a manner similar to a private-sector business.

Statement of Net Position

The *statement of net position* presents information on all of the assets and liabilities of the Ticaboo Utility Improvement District, with the difference between assets and liabilities reported as *net position*. *Net investment in capital assets* is the fixed assets of the District reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Condensed Statement of Net Position and Comparison to FY 2015

	12/31/2016	12/31/2015
Current assets	\$ 114,521	\$ 318,189
Non-Current assets	3,306,447	3,238,924
Total assets	3,420,968	3,557,113
Current liabilities	89,650	114,037
Non-Current liabilities	1,182,000	1,238,000
Total liabilities	1,271,650	1,352,037
Net position:		
Net investment in capital assets	1,971,885	1,910,368
Restricted	108,562	58,556
Unrestricted	68,871	236,152
Total net position	\$ 2,149,318	\$ 2,205,076

As noted earlier, net position may serve over time as a useful indicator of an institution's financial position. In the case of the Ticaboo Utility Improvement Districts, assets exceeded liabilities by \$2,149,318 at the close of the year. The District's noncurrent assets of \$3,306,447, includes its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment). The District uses these capital assets to provide services to customers so, consequently, these assets are not available for future spending. The remaining balance of unrestricted net position, \$68,871, may be used to meet the District's ongoing obligations to customers of the Service District.

Statement of Revenues, Expenses and Changes in Net Position

This *statement of revenues, expenses and changes in net position* presents information showing how the net position of the Ticaboo Utility Improvement District changed during the most recent 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. The breakdown of "Operating" and Non-operating" categories are defined by accounting standards.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	12/31/2016	12/31/2015
Operating revenues	\$ 470,519	\$ 511,577
Operating expenses	516,693	556,010
Operating income	(46,174)	(44,433)
Non-operating revenues	(9,584)	(7,603)
Capital contribution	-	350,000
Change in net position	(55,758)	297,964
Net Position - beginning of year	2,205,076	1,907,112
Net Position - end of year	\$ 2,149,318	\$ 2,205,076

Statement of Cash Flows

The *Statement of Cash Flows* provides an additional perspective of the Ticaboo Utility Improvement District's financial results for the fiscal year. It provides a source and use of cash for broad categories of activities.

Condensed Statement of Cash Flows

	12/31/2016	12/31/2015
Cash flows from:		
Operating activities	\$ 93,479	\$ 81,162
Capital financing activities	(228,546)	138,802
Investing activities	196	2,172
Net Increase(Decrease) in Cash	(134,871)	222,136
Cash - beginning of year	269,389	47,253
Cash - end of year	\$ 134,518	\$ 269,389

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

This financial report is designed to provide a general overview of the Ticaboo Utility Improvement District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ticaboo Utility Improvement District.

Capital Assets and Debt Administration

Capital Assets

The District operates as an enterprise fund, which includes capitalization and depreciation of assets. Asset categories include buildings, infrastructure, equipment and furniture, and vehicles. The District's capital assets (net of accumulated depreciation) as of December 31, 2016 amount to \$3,197,885, which represents an increase of \$17,516 over the prior fiscal year. More detailed information about the District's capital assets is presented in footnote 4 to the financial statements.

Debt

At year-end the District had \$1,226,000 in debt, a decrease of \$44,000 over the prior year. More detailed information about the District's debt is presented in footnote 5 to the financial statements.

Next Year's Budget and Economic Factors

In considering the District Budget for calendar year 2017, the District Board and management estimated the budget for revenues to increase over 2016 due in part to anticipated new connections being added to the system and continued collection of past due receivables. The District Board and Management also anticipate a decrease in expenditures based upon lower fuel costs and realized savings in water production costs following the commissioning of the District's new solar direct water production facilities.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District at Highway 276, Mile Marker 27, Ticaboo, Utah 84533.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Statement of Net Position
December 31, 2016
(With Comparative Totals for December 31, 2015)

	12/31/2016	12/31/2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,958	\$ 210,834
Accounts receivable	69,965	83,711
Prepaid expenses	18,598	23,644
Total current assets	114,521	318,189
Noncurrent assets:		
Restricted cash and cash equivalents	108,562	58,556
Capital assets:		
Land	4,473	4,473
Construction in progress	-	64,377
Buildings	127,056	127,056
Infrastructure	2,734,592	2,453,156
Equipment and furniture	1,031,090	1,073,384
Vehicles	18,081	18,081
Accumulated depreciation	(717,407)	(560,159)
Total noncurrent assets	3,306,447	3,238,924
Total assets	3,420,968	3,557,113
Liabilities		
Current liabilities:		
Accounts payable	38,030	74,846
Accrued liabilities	7,620	7,191
Bonds payable, current portion	44,000	32,000
Total current liabilities	89,650	114,037
Noncurrent liabilities:		
Bonds payable	1,182,000	1,238,000
Total noncurrent liabilities	1,182,000	1,238,000
Total liabilities	1,271,650	1,352,037
Net Position		
Net investment in capital assets	1,971,885	1,910,368
Restricted for debt service	108,562	58,556
Unrestricted	68,871	236,152
Total net position	\$ 2,149,318	\$ 2,205,076

The accompanying notes are an integral part of the financial statements.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>12/31/2016</u>	<u>12/31/2015</u>
Operating revenues		
Charges for services	\$ 470,519	\$ 511,577
Total operating revenues	<u>470,519</u>	<u>511,577</u>
Operating expenses		
Depreciation expense	157,248	143,750
Generator costs	145,792	211,234
Insurance	15,902	27,078
Office expense	29,724	31,836
Payroll and benefits	77,694	91,424
Professional fees	81,786	39,717
Miscellaneous expense	4,671	7,537
Repairs and maintenance	3,876	3,434
Total operating expenses	<u>516,693</u>	<u>556,010</u>
Net operating income (loss)	<u>(46,174)</u>	<u>(44,433)</u>
Nonoperating revenues (expenses)		
Interest income	196	2,172
Interest expense	(9,780)	(9,775)
Net nonoperating revenues (expenses)	<u>(9,584)</u>	<u>(7,603)</u>
Income before capital contributions	(55,758)	(52,036)
Capital contributions	<u>-</u>	<u>350,000</u>
Change in net position	(55,758)	297,964
Net position, beginning of year	<u>2,205,076</u>	<u>1,907,112</u>
Net position, end of year	<u>\$ 2,149,318</u>	<u>\$ 2,205,076</u>

The accompanying notes are an integral part of the financial statements.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	12/31/2016	12/31/2015
Cash flows from operating activities:		
Cash received from customers	\$ 484,265	\$ 510,592
Cash paid to suppliers	(313,092)	(338,006)
Cash paid to employees	(77,694)	(91,424)
Net cash flows from operating activities	93,479	81,162
Cash flows from capital and related financing activities:		
Purchases of capital assets	(174,766)	(642,524)
Proceeds from bond issuance	-	457,101
Capital grants	-	350,000
Principal paid on long term debt	(44,000)	(16,000)
Interest paid on long term debt	(9,780)	(9,775)
Net cash flows from capital and related financing activities	(228,546)	138,802
Cash flows from investing activities:		
Interest on investments	196	2,172
Net cash flows from investing activities	196	2,172
Net change in cash and cash equivalents	(134,870)	222,137
Cash and cash equivalents, including temporarily restricted cash, beginning of year	269,390	47,253
Cash and cash equivalents, including temporarily restricted cash, end of year	\$ 134,520	\$ 269,390
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ (46,174)	\$ (44,433)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:		
Depreciation	157,248	143,750
(Increase) decrease in accounts receivable	13,746	(985)
(Increase) decrease in prepaid expenses	5,046	(19,668)
Increase (decrease) in accounts payable	(36,816)	(70)
Increase (decrease) in accrued liabilities	429	2,568
Net cash flows from operating activities	\$ 93,479	\$ 81,162

The accompanying notes are an integral part of the financial statements.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of Ticaboo Utility Improvement District (District), a component unit of Garfield County, have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and is a component unit of Garfield County.

Reporting entity

The District is governed by a five-member Board of Trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government. The District currently has no component units.

Ticaboo Utility Improvement District is a component unit of Garfield County. The District was created to supply and manage electrical power to the residents of Ticaboo, Utah. In 2013 the District took over the operations of Garfield County Ticaboo Special Service District No. 1. As such, the District now also manages and supplies water, sewer, and garbage services to the residents of Ticaboo.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The District's only fund is an enterprise fund.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

The government'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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments are carried at fair value with unrealized gains and losses recorded as adjustments to investment earnings. Fair market values are based on quoted market prices.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include buildings, infrastructure, equipment, and vehicles, are reported in the government-wide financial statements. The District defines capital assets with an estimated useful life in excess of two years. Such 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of the District is not included as part of the capitalized value of the assets constructed.

Buildings, Improvements, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15-40 years
Infrastructure Improvements	10-40 years
Equipment and furniture	5-20 years
Vehicles	5-7 years

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Revenues and expenditures/expenses

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Prior year summarized comparative information

The financial statements include certain prior-year summarized comparative information in total, but do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Budgets and budgetary accounting

The District adopts an annual budget. The budget is prepared on the accrual basis. The District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

The following is a description of the budgetary requirements for the District:

1. On or before the first regularly scheduled meeting of the Board in the month of November, the District Manager prepares a tentative budget for the next budget year and files it with the Board of Trustees.
2. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
3. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
4. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.
5. The Board of Trustees considers the comments made by the public and makes final adjustments to the budget.
6. The Board of Trustees adopts the budget by resolution prior to December 31. A certified copy of the budget is available for public inspection.
7. The budget may be amended to reflect changes in circumstances, which occur during the year.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP.)

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 2. 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.

Deposits and investments of the District at December 31, 2016 consisted of the following:

Deposits		
Cash in bank	\$	113,162
Undeposited funds		219
Investments		
State treasurer's investment pool		21,139
Total deposits and investments	\$	<u>134,520</u>

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Unrestricted cash and cash equivalents	\$	25,958
Restricted cash and cash equivalents		108,562
Cash and cash equivalents	\$	<u>134,520</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2016, none of the District's bank balance of \$226,474 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 2. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; the Utah Public Treasurer’s Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, the government had the following investments, ratings and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
State of Utah Public Treasurer's Fund			
Investment Fund	\$ 21,139	N/A	59.04
Total Fair Value	<u>\$ 21,139</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 2. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect in the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

Fair value measurements

As noted above, the District holds investments that are measured at fair value on a recurring basis. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the District's investments, as listed on the previous page, are valued using significant other observable inputs (Level 2 inputs).

Note 3. Related Party Transactions

The District has entered into a rental agreement with District Manager, Chip Shortreed for use of a management office and meeting location for the District's operations. The District has agreed to pay Mr. Shortreed \$1,100 per month. The rental agreement expires on December 31, 2016, but has an automatic renewal for one year with the same terms and conditions.

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 4. Capital Assets

Capital assets activity for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
Capital assets, not being depreciated:				
Construction in progress	\$ 64,377	\$ -	\$ 64,377	\$ -
Land	4,473	-	-	4,473
Total capital assets, not being depreciated	<u>68,850</u>	<u>-</u>	<u>64,377</u>	<u>4,473</u>
Capital assets, being depreciated:				
Buildings	127,056	-	-	127,056
Infrastructure	2,502,004	232,589	-	2,734,592
Equipment and furniture	1,024,537	6,554	-	1,031,090
Vehicles	18,081	-	-	18,081
Total capital assets, being depreciated	<u>3,671,678</u>	<u>239,143</u>	<u>-</u>	<u>3,910,819</u>
Less: accumulated depreciation for:				
Buildings	(14,503)	(6,019)	-	(20,522)
Infrastructure	(343,457)	(98,159)	-	(441,616)
Equipment and furniture	(184,118)	(53,070)	-	(237,188)
Vehicles	(18,081)	-	-	(18,081)
Total accumulated depreciation	<u>(560,159)</u>	<u>(157,248)</u>	<u>-</u>	<u>(717,407)</u>
Total capital assets, being depreciated, net	<u>3,111,519</u>	<u>81,895</u>	<u>-</u>	<u>3,193,412</u>
Net capital assets	<u>\$ 3,180,369</u>	<u>\$ 81,895</u>	<u>\$ 64,377</u>	<u>\$ 3,197,885</u>

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 5. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	<u>Balance 12/31/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2016</u>	<u>Current Portion</u>
Business-type Activities:					
Revenue bonds	\$ 1,270,000	\$ -	\$ (44,000)	\$ 1,226,000	\$ 44,000
Total business-type activities	<u>1,270,000</u>	<u>-</u>	<u>(44,000)</u>	<u>1,226,000</u>	<u>44,000</u>
Total long-term liabilities	<u>\$ 1,270,000</u>	<u>\$ -</u>	<u>\$ (44,000)</u>	<u>\$ 1,226,000</u>	<u>\$ 44,000</u>

Bonds payable consist of the following at December 31, 2016:

Series 2012A sewer revenue bonds, due in annual installments of \$8,000 with no interest, maturing in 2032.	\$ 152,000
Series 2012B sewer revenue bonds, due in annual installments of \$8,000 with no interest, maturing in 2032.	152,000
Series 2013 electric revenue bond, due in annual installments of \$16,000 with 1.5% interest, maturing in 2044.	584,000
Series 2015 water revenue bond, due in annual installments of \$11,000 to \$12,000 with 0% interest, maturing in 2045.	338,000
Total bonds payable	<u>\$ 1,226,000</u>

TICABOO UTILITY IMPROVEMENT DISTRICT
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2016

Note 5. Long-Term Debt, Continued

Debt services requirements for bonds payable are as follows:

Fiscal Year Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	44,000	8,760
2018	44,000	8,520
2019	45,000	8,280
2020	45,000	8,025
2021-2025	233,000	36,105
2026-2030	239,000	28,875
2031-2035	245,000	21,105
2036-2040	175,000	12,735
2041-2045	156,000	3,735
Total	<u>\$ 1,226,000</u>	<u>\$ 136,140</u>

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. The District pays an annual premium for this coverage. There have been no significant reductions in insurance coverage from coverage in the prior year.

**OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS**

**Independent Auditors' 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 Trustees
Ticaboo Utility Improvement District
Lake Powell, Utah 84533

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Ticaboo Utility Improvement District, a component unit of Garfield County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
St. George, Utah
May 26, 2017

**Independent Auditor's Report on Compliance and
Report on Internal Control over Compliance
As Required by the *State Compliance Audit Guide***

Board of Trustees
Ticaboo Utility Improvement District
Lake Powell, Utah

Report On Compliance with General State Compliance Requirements

We have audited Ticaboo Utility Improvement District's (the District) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2016.

General state compliance requirements were tested for the year ended December 31, 2016 in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Treasurer's Bond
Cash Management

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on the state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, Ticaboo Utility Improvement District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as items:

2013-001 Deposit and Investment Report

The District's response to the noncompliance findings identified in our audit is described in the accompanying response pages. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

Hinton Burdick, PLLC

HintonBurdick, PLLC
St. George, Utah
May 26, 2017

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Findings and Recommendations
For the Year Ended December 31, 2016

Board of Trustees
Ticaboo Utility Improvement District
Lake Powell, Utah 84533

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. In planning and performing our audit of the financial statements of Ticaboo Utility Improvement District for the fiscal year ended December 31, 2016, we noted the following circumstances that, if improved, would strengthen the District's accounting system and control over its assets and State Compliance. These items are discussed below for your consideration.

Material Weaknesses:

None Noted

Significant Deficiencies:

None Noted

Compliance Findings:

2013-001. Deposit and Investment Report

Criteria: Utah State Code 51-7-15(3) states that the District must file a written report with the Money Management Council on or before January 31 and July 31 of each year. The written report must include the bank balance of all deposits and investments.

Condition: The June 30, 2016 Deposit and Investment Report form prepared by the District was not filed by July 31, 2016. The December 31, 2016 Deposit and Investment Report form contained the book balance for the Wells Fargo Checking account, rather than the required bank balance.

Cause: Procedures for preparing the written report and ensuring timely and accurate filing of the written report to the Money Management Council were not followed.

Effect: The District is not in compliance with state law.

Recommendations: We recommend that the District file the written report with the Money Management Council within the required timeline given and ensure the balances reported are the bank balances for each deposit and investment account.

This report is intended solely for the information and use of the Administrative Control Board, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to those who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary and we look forward to a continued professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
May 26, 2017



Findings and Recommendations Response for the Year Ended December 31, 2016

June 13, 2017

HintonBurdick, PLLC
159 North Main Street
Richfield, UT 84701

This document will serve as Ticaboo Utility Improvement District's (the "District") response to the Findings and Recommendations made regarding the audit of the District for the fiscal year ended December 31, 2016.

Material Weaknesses:

None Noted

Significant Deficiencies:

None Noted

Compliance Findings:

2013-001. Deposit and Investment Report

The District accepts that we were not in compliance with Utah Code 57-7-15(3) regarding our Deposit and Investment Report Form. The District was unaware of the "Condition" of this finding until it was noted in the auditor's report. When the report was completed the District used the book balance believing it was an accurate representation of our balance. In the future, the District will ensure that all bank balances reported on the D&I Report reflect the required bank balance and not the book balance.

Should there be any questions about our response to the Findings and Recommendations report, please contact the District at (435) 788-8343, or via e-mail to mail@ticabooid.com.

Respectfully,

A handwritten signature in blue ink, appearing to read "Chip Shortreed".

Chip Shortreed,
Chief Executive Officer & District Manager

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STATISTICAL SECTION

TICABOO UTILITY IMPROVEMENT DISTRICT
Statistical Information
December 31, 2016

Utility Information

Electric Connections	124
Sewer Connections	122
Electric Billings	\$ 304,280
Sewer Billings	\$ 47,766
Electric Rates	
Residential	\$75 base rate plus \$0.70 per kilowatt
Small Commercial	\$260 base rate plus \$0.70 per kilowatt
Large Commercial	\$2,000 base rate plus \$0.70 per kilowatt
Sewer Rates	
All Customers	\$28 per ERU

Insurance Coverage

Insurance Coverage for Ticaboo Utility Improvement District for 2016 is as follows:

<u>Insurer</u>	<u>Insurance Type</u>	<u>Amount of Coverage</u>	<u>Expiration Date of Policy</u>
Utah Local Government Trust	General Liability	\$2,000,000	6/1/2017
Utah Local Government Trust	Auto Liability	\$2,000,000	6/1/2017
Utah Local Government Trust	Property Coverage:		
Equipment		\$581 - \$100,000	6/1/2017
Generator Building		\$352,637	6/1/2017
Well Pump Building		\$352,637	6/1/2017
Western Surety Company	CEO Bond	\$35,000	9/12/2017
	Chair/Sec PCIB Bond	\$40,000	10/6/2017
	Blanket Bond	\$20,000	9/23/2017
	CEO/Treasurer DWB Bond	\$48,000	7/31/2017