

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2012**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**FINANCIAL SECTION**

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**Independent Auditors' Report on the  
Basic Financial Statements**

Administrative Control Board  
Ticaboo Electric Improvement District  
Lake Powell, Utah 84533

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Ticaboo Electric Improvement District, a component unit of Garfield County, as of and for the year ended December 31, 2012, 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 Electric Improvement District, as of December 31, 2012, 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**

### *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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2013 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.



Hinton Burdick, PLLC  
St. George, Utah  
July 3, 2013

## **TICABOO ELECTRIC IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Ticaboo Electric 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, 2012. We encourage readers to consider the information presented here as an overview of the operations of the Ticaboo Electric Improvement District. This discussion and analysis is not intended to cover every aspect of the daily activities of the Ticaboo Electric Improvement District.

### **Financial Highlights**

- The assets of Ticaboo Electric Improvement District exceeded its liabilities as of the close of the most recent year by \$3,497,515 (*net position*). Of this amount, \$1,624 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Special Service District's total net position increased during the year by \$2,921,383, net of a prior period adjustment of \$85,000.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Ticaboo Electric 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 Electric 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 Electric Improvement District, with the difference between assets and liabilities reported as *net position*. *Net Position Invested in capital assets* are 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 2012

	2012	2011
Current assets	\$ 63,213	\$ 42,237
Non-Current assets	2,794,924	77,580
Total assets	2,858,137	119,817
Current liabilities	77,589	78,685
Non-Current liabilities	568,000	250,000
Total liabilities	645,589	328,685
Net position:		
Net investment in capital assets	2,210,924	527,580
Unrestricted	1,624	(36,448)
Total net position	\$ 2,212,548	\$ 491,132

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 Electric Improvement Districts, assets exceeded liabilities by \$3,497,515 at the close of the most year. The District's noncurrent assets of \$4,079,891, reflects 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, \$1,624, 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 Electric 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**

	2012	2011
	<u>                    </u>	<u>                    </u>
Operating revenues	\$ 322,694	\$ 251,506
Operating expenses	478,525	309,188
Operating income	<u>(155,831)</u>	<u>(57,682)</u>
Non-operating revenues	6	15
Extraordinary item	1,792,241	-
Change in net position	1,636,416	<u>(57,667)</u>
Net Position - beginning of year	491,132	548,799
Prior period adjustment	85,000	-
Net Position - end of year	<u>\$ 2,212,548</u>	<u>\$ 491,132</u>

**Statement of Cash Flows**

The *Statement of Cash Flows* provides an additional perspective of the Ticaboo Electric 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**

**of Cash Flows**

	2012	2011
	<u>                    </u>	<u>                    </u>
Cash flows from:		
Operating activities	\$ (9,494)	\$ 14,197
Capital financing activities	(1,263)	(100)
Noncapital financing activities	16,073	-
Net Increase(Decrease) in Cash	<u>5,316</u>	<u>14,097</u>
Cash - beginning of year	19,032	4,935
Cash - end of year	<u>\$ 24,348</u>	<u>\$ 19,032</u>

**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 Electric 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 Electric Improvement District.



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**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Statement of Net Position**  
**December 31, 2012**

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	<u>Business-Type Activities Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 24,348
Accounts receivable	38,865
Total current assets	<u>63,213</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	250,000
Buildings	20,000
Infrastructure	2,092,000
Equipment and furniture	593,233
Vehicles	18,081
Accumulated depreciation	<u>(178,390)</u>
Total noncurrent assets	<u>2,794,924</u>
Total assets	<u>2,858,137</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	50,596
Accrued liabilities	10,993
Bonds payable, current portion	16,000
Total current liabilities	<u>77,589</u>
Noncurrent liabilities:	
Bonds payable	352,000
Long-term payables	216,000
Total noncurrent liabilities	<u>568,000</u>
Total liabilities	<u>645,589</u>
<b>Net Position</b>	
Net investment in capital assets	2,210,924
Unrestricted	1,624
Total net position	<u>\$ 2,212,548</u>

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

**TICABOO ELECTRIC 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, 2012**

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	Business-Type Activities <u>Enterprise Fund</u>
<b>Operating revenues</b>	
Charges for services	\$ 322,694
Total operating revenues	<u>322,694</u>
<b>Operating expenses</b>	
Depreciation expense	122,596
Generator costs	263,629
Insurance	12,413
Office expense	10,624
Payroll and benefits	11,210
Professional fees	44,699
Miscellaneous expense	3,837
Repairs and maintenance	9,517
Total operating expenses	<u>478,525</u>
Net operating income (loss)	<u>(155,831)</u>
<b>Nonoperating revenues</b>	
Interest income	<u>6</u>
Net nonoperating revenues (expense)	<u>6</u>
<b>Extraordinary item</b>	
Ticcaboo Special Service District No 1. operations transfer	<u>1,792,241</u>
Total extraordinary items	<u>1,792,241</u>
<b>Change in net position</b>	1,636,416
Net position, beginning of year	491,132
Prior period adjustment	<u>85,000</u>
Net position, beginning of year, as adjusted	<u>576,132</u>
Net position, end of year	<u>\$ 2,212,548</u>

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

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

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	<u>Business-Type Activities Enterprise Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 307,034
Cash paid to suppliers	(305,318)
Cash paid to employees	<u>(11,210)</u>
Net cash flows from operating activities	<u>(9,494)</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(1,263)
Capital grants	50,000
Decrease in long-term payable	<u>(50,000)</u>
Net cash flows from capital and related financing activities	<u>(1,263)</u>
<b>Cash flows from noncapital financing activities:</b>	
Donated cash	<u>16,073</u>
Net cash flows from capital and related financing activities	<u>16,073</u>
Net change in cash and cash equivalents	5,316
Cash and cash equivalents at beginning of year	<u>19,032</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 24,348</u></u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>	
Operating income (loss)	\$ (155,831)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:	
Depreciation	122,596
(Increase) decrease in accounts receivable	(15,660)
Increase (decrease) in accounts payable	30,273
Increase (decrease) in accrued liabilities	<u>9,128</u>
Net cash flows from operating activities	<u><u>\$ (9,494)</u></u>

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

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies**

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The accompanying financial statements of Ticaboo Electric 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 three-member Board of Trustees. The financial statements of the District cover all financial activities over which the District has oversight responsibility. The basic criterion for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability by the District Board. In addition to financial accountability, consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations and accountability for fiscal matters. There are no other entities, boards or agencies that are required to be included in the District's financial statements.

Ticaboo Electric 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 2012 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.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to the intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. The District's only fund is an Enterprise Fund.

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred.

**Assets, Liabilities and Equity**

**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.

Any investments will be stated at cost.

**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 ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Net Position**

Net position is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

**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 copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. 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 ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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.

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**Note 2. Deposits and Investments**

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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**

Deposits and investments of the District at December 31, 2012 consisted of the following:

Cash on hand	\$	-
Deposits		
Cash in bank		24,348
	<u>\$</u>	<u>24,348</u>

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

Unrestricted cash and cash equivalents	\$	24,348
Restricted cash and cash equivalents		-
	<u>\$</u>	<u>24,348</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.



**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 2. Deposits and Investments, Continued**

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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.

**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, 2012, none of the District's bank balance of \$37,589 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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**Note 3. Date of Management's Review**

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Management has evaluated subsequent events through July 3, 2013, that date which the financial statements were available to be issued.

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**Note 4. Related Party Transactions**

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The District has entered into a rental agreement with the Chairman of the Board, Chip Shortreed for use of a management office and meeting location for the District's operations. The District has agreed to pay Mr. Shortreed \$300.00 per month. The rental agreement expires on December 31, 2012, but has an automatic renewal for one year with the same terms and conditions.

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 5. Capital Assets**

Capital assets activity for the year ended December 31, 2012, was as follows:

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
Capital assets, not being depreciated:				
Construction in progress	\$ 250,000	\$ -	\$ -	\$ 250,000
Total capital assets, not being depreciated	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Capital assets, being depreciated:				
Buildings	20,000	-	-	20,000
Infrastructure	92,000	2,000,000	-	2,092,000
Equipment and furniture	474,200	119,033	-	593,233
Vehicles	-	18,081	-	18,081
Total capital assets, being depreciated	<u>586,200</u>	<u>2,137,114</u>	<u>-</u>	<u>2,723,314</u>
Less: accumulated depreciation for:				
Buildings	(2,000)	(1,000)	-	(3,000)
Infrastructure	(9,200)	(80,650)	-	(89,850)
Equipment and furniture	(47,420)	(34,504)	-	(81,924)
Vehicles	-	(3,616)	-	(3,616)
Total accumulated depreciation	<u>(58,620)</u>	<u>(119,770)</u>	<u>-</u>	<u>(178,390)</u>
Total capital assets, being depreciated, net	<u>527,580</u>	<u>2,017,344</u>	<u>-</u>	<u>2,544,924</u>
Net capital assets	<u>\$ 777,580</u>	<u>\$ 2,017,344</u>	<u>\$ -</u>	<u>\$ 2,794,924</u>

The majority of the capital asset additions shown above (\$2,119,851 of the total additions) relate to the District taking over the operations of Garfield County Ticaboo Special Service District No. 1. See note 8 for further details.

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

**Note 6. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2012:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Current</u> <u>Portion</u>
<b>Business-type Activities:</b>					
Revenue bonds	\$ -	\$ 368,000	\$ -	\$ 368,000	\$ 16,000
Total business-type activities	-	368,000	-	368,000	16,000
Total long-term liabilities	<u>\$ -</u>	<u>\$ 368,000</u>	<u>\$ -</u>	<u>\$ 368,000</u>	<u>\$ 16,000</u>

Bonds payable consist of the following at December 31, 2012:

Seires 2012A revenue bonds, due in annual installments of \$8,000 with no interest, maturing in 2032.	\$ 184,000
Seires 2012B revenue bonds, due in annual installments of \$8,000 with no interest, maturing in 2032.	184,000
Total bonds payable	<u>\$ 368,000</u>

Debt services requirements for bonds payable are as follows:

Fiscal Year Ended <u>December 31</u>	<u>Series 2009A</u>	<u>Series 2009B</u>	<u>Principal Total</u>
2013	8,000	8,000	16,000
2014	8,000	8,000	16,000
2015	8,000	8,000	16,000
2016	8,000	8,000	16,000
2017	8,000	8,000	16,000
2018-2022	40,000	40,000	80,000
2023-2027	40,000	40,000	80,000
2028-2032	40,000	40,000	80,000
2033-2036	24,000	24,000	48,000
Total	<u>\$ 184,000</u>	<u>\$ 184,000</u>	<u>\$ 368,000</u>

**TICABOO ELECTRIC IMPROVEMENT DISTRICT**  
**(A Component Unit of Garfield County, Utah)**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**Note 6. Long-Term Debt, Continued**

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At the present time the District has an amount due Verdi Energy Group for \$200,000. These funds are due to Verdi Energy Group of an alternative Energy Project Feasibility Study.

The District also has an amount due to Ticaboo Resort Lodge for \$16,000. This amount is related to the purchase of a generator.

Neither of these liabilities has defined payment terms. Payments are expected to take longer than one year, and as such are listed as long-term liabilities on the Statement of Net Position. The amount due to Verdi Energy Group will be paid back through earnings that the project will generate.

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**Note 7. Risk Management**

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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.

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**Note 8. Transfer of Ticaboo Special Service District Operations**

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On September 1, 2012 the District received all of the assets and liabilities from Ticaboo Special Service District, which operated the water and sewer systems for Ticaboo. At the date of transfer the District took over operations of the water and sewer utilities. Capital assets were recorded at their replacement cost, debt, cash, accounts receivable, accounts payable were recorded at their respective book values as of the date of transfer. Related to this transfer, \$3,077,208 of revenue was recognized.

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**Note 9. Prior Period Adjustment**

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A prior period adjustment was made in order to recognize \$50,000 of grant revenue which was related to projects undertaken in 2011. Net position was also adjusted by \$35,000 in order to record previously unrecorded capital assets acquired by donation. The net effect on net position was to increase beginning net position by \$85,000.

**OTHER COMMUNICATIONS  
FROM  
INDEPENDENT AUDITORS**

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**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**

Administrative Board  
Ticaboo Electric Improvement District  
Lake Powel, 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 Electric Improvement District, a component unit of Garfield County, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 3, 2013.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be significant deficiencies:

12-01	Audit Adjustments
12-02	Segregation of Duties
12-03	Capital Asset Records

### 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*.

We noted certain matters that we reported to the management of the District in a separate letter dated July 3, 2013

### District's Response to the Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of responses to the findings. We did not audit the District's response, and accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



HintonBurdick, PLLC  
St. George, Utah  
July 3, 2013

MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA

KENNETH A. HINTON, CPA  
MORRIS J. PEACOCK, CPA  
PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

**Independent Auditors' Report on Compliance  
in Accordance with the  
*State of Utah Legal Compliance Audit Guide***

Administrative Control Board  
Ticaboo Electric Improvement District  
Lake Powel, Utah 84533

We have audited the compliance of Ticaboo Electric Improvement District, a component unit of Garfield County, with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2012. The general compliance requirements applicable to the District are identified as follows:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Requirements
- Fund Balance

The District did not receive any major or nonmajor State grants during the year ended December 31, 2012.

Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit 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 of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. 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. Our audit does not provide a legal determination of the District's compliance with these requirements.



In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which is described in our letter to management dated July 3, 2013 as item 12-04.

Management's response to the finding identified in our audit is described in the letter from management. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

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

HintonBurdick, PLLC  
St. George, Utah  
July 3, 2013



MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
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MARK E. TICHENOR, CPA

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**Findings and Recommendations**  
**For the Year Ended December 31, 2012**

Administrative Board  
Ticaboo Electric Improvement District  
Lake Powel, 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 Electric Improvement District for the fiscal year ended December 31, 2012, 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:**

12-01. Audit Adjustments

During our audit we made recommendations for various journal entries that were not initially identified by the District's internal controls that were necessary to record capital asset transactions, grant revenue adjustments, and other miscellaneous corrections. Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of such misstatements in the financial statements may be a deficiency in the District's internal control. Management was aware that some of these entries needed to be made, as such we do not deem this weakness to be a material weakness.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure you agree with the entries, and understand the purpose and underlying accounting principles associated with each entry.

12-02. Segregation of Duties

We understand that the size of the District's administrative staff prohibits the complete and proper segregation of duties within its accounting functions. Such segregation of duties provides important safeguards and controls to insure the proper recording, deposit and disposition of the District's funds. Currently, the consolidation of several functions prohibits the complete and proper segregation of duties with cash receipts. There are mitigating controls in place, such as board review of the financial statements; as such we do not deem this to be a material weakness.

Recommendation

We recommend that the District consider ways a segregation of duties can be achieved. We would be happy to assist the District in the design and/or revision of job descriptions and duties to properly achieve this segregation.

12-03. Capital Asset Records

We noted that the District, as of date of the audit, had not maintained a record of capital assets. Associated with this, the District had not accounted for current year depreciation on assets nor had they accounted for current year asset additions.

Recommendation

As part of the audit, the District worked with the Auditor in order to establish an up-to-date capital asset and depreciation schedule. We recommend that the District, going forward, maintain and update the capital asset schedule and utilize their contract accountant in order to calculate and book depreciation expense as needed.

**Compliance Findings:**

12-04. Cash Deposits

Utah Code Annotated, 1953, as amended, section 51-4-2, requires all public funds to be deposited daily, whenever practical, but not less than three business days after receipt. This law provides an important control for safeguarding the District's cash. During testwork on cash receipts, we noted that at least one instance of receipts taking longer than three business days to be deposited.

Recommendation

We recommend the District establish a procedure to insure cash receipts are deposited within three business days of being received.

**Other Matters Communicated to Management:**

None Noted

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  
July 3, 2013

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Ticaboo Utility Improvement District  
Highway 276, Mile Marker 27  
PO Box 2140  
Ticaboo, UT 84533-2140

435-788-8343 - **Office**  
TicabooUID@gmail.com - **E-Mail**  
<https://sites.google.com/site/ticaboopsw/> - **Web**

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## **Findings and Recommendations Response For the Year Ended December 31, 2012**

July 23, 2013

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 Ticaboo Electric Improvement District ("**TEID**") for the fiscal year ended December 31, 2012.

### **Significant Deficiencies:**

#### 12-01. Audit Adjustments

Management has reviewed the journal entries made by HintonBurdick. We understand the following significant journal entries that were made:

- Adjustment of the \$50,000 Feasibility Grant we received from the USDA in 2012. This was shown as income for 2013 by our accounting firm of Larson and Company, and should have been shown in 2012 as an income and expense by TEID.
- Adjustment of Capital Assets as it relates to the District's acquisition of capital assets transferred from the Ticaboo Special Service District ("**TSSD**") to TEID in August 2012.
- Adjustment of the "Construction in Progress", wherein this should reflect \$250,000 for the project we are currently working on, and all other monies should have been expensed as part of the TSSD projects that were completed in 2012.

#### 12-02. Segregation of Duties

While the District recognizes and respects the need for more segregation of duties, this is merely an impossible task given the following reasons;

- The District does not have the budget to employ a full time person to manage all aspects of the District's day-to-day business, thus it is handled primarily by volunteers,
- The members of the board all have full-time jobs, and have little time to perform duties other than legislative duties,
- Only two of the sitting board members actually reside in the District full-time,

- The community is quite small and many do not want to be involved in the District's operations or legislation.

To proactively address this issue, the District, engaged with an outside accounting firm, in 2011, to enhance our internal controls, as a measure of ensuring that our financials were kept up in accordance with Utah Code/GAAP, and ensure that the perception of impropriety or malfeasance was reduced or removed from members of the District. Additionally, at every board meeting, a summary of the financials is made available for public inspection, and members of the Board of Trustees are provided with personal copies of the; P&L, Balance Sheet, AP Age (month end & current), and the Check Register, as provided to us by our accounting firm. This is done to provide the members of the board with complete information on the month-to-date/year-to-date financial status of the District.

After consulting with HintonBurdick about our unique situation, recommendations were made to further enhance the segregation of duties:

1. Make available to the Board of Trustees, on a monthly basis, all bank statements and bank reconciliation reports compiled and completed by our accounting firm.
2. After review, have a member of the Board of Trustees sign these documents verifying that they were reviewed.

These enhancements will be implemented at our next board meeting.

#### 12-03. Capital Asset Records

The District recognizes and accepts the responsibility of failing to keep and maintain a record/inventory of capital assets, as well as an up-to-date depreciation schedule. Prior to our engagement with HintonBurdick, the District incorrectly presumed that this data was maintained by our accounting firm.

Moving forward the District will keep and maintain the Depreciation Schedule spreadsheet made available to us by HintonBurdick. This document will also be shared with our accounting firm towards ensuring an accurate accounting of our capital assets and depreciation.

#### **Compliance Findings:**

#### 12-04. Cash Deposits

The District recognizes and respects the requirements of Utah Code Annotated, as amended, section 51-4-2, requiring all public funds to be deposited daily, whenever practical, but not less than three business days after receipt.

Due to; (1) the remoteness of the District, (2) the distance to our bank of 127 miles, and (3) the unreliability of the US Postal Service in remote/rural areas, the District has been challenged by this finding. We process receivables, when they are received, and deposit these via US Postal

Mail. Sometimes this process, encumbered by the US Post Office, can take anywhere from two to five days before being recorded as a deposit on our account. We do not hold checks for extended periods of time as a normal practice.

The District, upon the recommendation of HintonBurdick, will research the economics associated with electronic deposits. If the District has the funds available, and this method of depositing receivables is economically viable, it will be given its due consideration as a change in our method of handling receivables in the future.

Should there be any questions about our responses to the Findings and Recommendations report, please contact the District at (435) 788-8343, or via e-mail to [TicabooUID@gmail.com](mailto:TicabooUID@gmail.com).

Respectfully,



Chip Shortreed,  
*Chairman of the Board of Trustees*