

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1

A COMPONENT UNIT OF GARFIELD COUNTY, UTAH

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION



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Independent Accountants' Compilation Report

To the Board of Trustees
Garfield County Ticaboo Special Service District No. 1
Ticaboo, UT 84533

We have compiled the accompanying financial statements of the business-type activities of Garfield County Ticaboo Special Service District No. 1, a component unit of Garfield County, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The management's discussion and analysis on pages 3 through 6 is presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

HintonBurdick, PLLC

HintonBurdick, PLLC
July 12, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Garfield County Ticaboo Special Service District No. 1 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$11,636 at the close of the fiscal year.
- Total net position decreased by \$1,068,274.
- Total revenues from all sources, were \$77,627 and the total cost of all District programs was \$82,619.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Normally, there are three components of the financial statements which are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements. However, the District only has one fund, Government-wide financial statements are not necessary.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position:

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's fund uses the accounting approaches as explained below.

Statement of Net Position (Condensed):

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 11,636	\$ 105,116
Capital Assets	-	1,365,125
Total assets	<u>11,636</u>	<u>1,470,241</u>
Current Liabilities	-	22,131
Long-Term Liabilities	-	368,000
Total Liabilities	<u>-</u>	<u>390,131</u>
Net position		
Net Investment in Capital Assets	-	981,125
Unrestricted	11,636	98,985
Total Net Position	<u>\$ 11,636</u>	<u>\$ 1,080,110</u>

Business-Type Activities:

Net Position of the District is \$11,636. All of this amount is unrestricted. Which is to say, that this net position can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. This net position is used to finance the continuing operations of providing residential and commercial water, sewer, and garbage service to citizens within the District's boundaries.

Statement of Revenues, Expenses, and Changes in Fund Net Position (Condensed):

	<u>2012</u>	<u>2011</u>
Revenues:		
Charges for Services	\$ 77,397	\$ 118,901
Other Income	-	8,140
Interest Income	30	508
Capital Grants and Contributions	-	15,000
	<u>77,427</u>	<u>142,549</u>
Total Revenues		
Program Expenses:		
Wastewater Expenses	1,116	16,672
Water System Expenses	32,236	67,491
Bank Service Charges	-	116
Office Supplies	2,472	1,029
Advertising and Promotion	-	500
Professional Fees	3,263	12,220
Trustee Compensation	5,000	5,000
Payroll and Benefits	14,363	18,482
Other Expense	1,074,792	9,512
Depreciation	12,659	5,259
	<u>1,145,901</u>	<u>136,281</u>
Total Program Expenses		
Change in Net Position	(1,068,474)	6,268
Net Position, Beginning	<u>1,080,110</u>	<u>1,073,842</u>
Net Position, Ending	<u>\$ 11,636</u>	<u>\$ 1,080,110</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Net capital assets at the end of fiscal year 2012, were \$0 due to the donation of these assets to Ticaboo Electric Improvement District.

Debt

At year-end, the District had \$0 in debt due to the debt being transferred to Ticaboo Electric Improvement District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District board office at P.O. Box 2140, Ticaboo, Utah 84533.

BASIC FINANCIAL STATEMENTS

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Statement of Net Position
December 31, 2012

	<u>Proprietary Fund Type</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 11,636
Total assets	<u>11,636</u>
Net position	
Unrestricted	11,636
Total net position	<u>\$ 11,636</u>

The accompanying notes are an integral part of the financial statements.
See accountants' compilation report.

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Statement of Revenues, Expenditures, and Changes in Fund Net Position
For the Year Ended December 31, 2012

	<u>Proprietary Fund Type</u>
Operating revenue	
Charges for services	\$ 77,397
Total operating revenue	<u>77,397</u>
Operating expenses	
Wastewater expense	1,116
Water system	32,236
Office supplies	2,472
Professional fees	3,263
Trustee compensation	5,000
Payroll and benefits	14,363
Depreciation	12,659
Other	11,510
Total operating expenses	<u>82,619</u>
Net operating income	<u>(5,222)</u>
Non-operating revenues (expenses)	
Interest earnings	<u>30</u>
Total non-operating revenue (expenses)	<u>30</u>
Extraordinary item	
Transfer of operations to Ticaboo Electric Improvement District	<u>(1,063,282)</u>
Total extraordinary items	<u>(1,063,282)</u>
Change in net position	(1,068,474)
Net position, beginning of year	<u>1,080,110</u>
Net position, end of year	<u><u>\$ 11,636</u></u>

The accompanying notes are an integral part of the financial statements.
See accountants' compilation report.

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Statement of Cash Flows
For the Year Ended December 31, 2012

	Proprietary Fund Type
Cash flows from operating activities	
Cash received from customers and users	\$ 85,148
Cash paid to suppliers and contractors	(75,891)
Net cash flows from operating activities	9,257
Cash flows capital and related financing activities	
Capital asset purchases	\$ (17,352)
Interest income	30
Bond principal payments	(16,000)
Net cash flows from capital and related financing activities	(33,322)
Net change in cash and cash equivalents	(24,065)
Cash and cash equivalents, beginning of year	35,701
Cash and cash equivalents, end of year	\$ 11,636
Reconciliation of operating income to net cash flows from operating activities	
Net operating income	\$ (5,222)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	12,659
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	7,951
Increase/(decrease) in accounts payable	(6,131)
Net cash flows from operating activities	\$ 9,257

The accompanying notes are an integral part of the financial statements.
See accountants' compilation report.

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 1. Significant Accounting Policies

The accompanying financial statements of Garfield County Ticaboo Special Service District No.1 (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

Garfield County Ticaboo Special Service District No. 1 is a special service district 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. However, Garfield County Ticaboo Special Service District No. 1 is a component unit of Garfield County. The District was created to construct, supply and manage water and sewer systems of Ticaboo, Utah.

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net position, the statement of revenues, expenses and changes in fund net position and the statement of cash flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that its costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. An enterprise fund may be used for any activities for which a fee is charged to external users of goods and services.

The function of the District is to operate and manage the sewer and water systems, as well as, garbage collection. The district is also responsible for monitoring and recording the amount of water used by individual and commercial users. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds or component units that are fiduciary in nature are included.

Measurement Focus, Basis of Accounting, and Financial Statement 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 their intended purpose and is used to aid management in

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 1. Significant Accounting Policies, Continued

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.

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 used in the government are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Infrastructure and Related Equipment	30 Years
Equipment	5-10 Years

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 1. Significant Accounting Policies, Continued

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 Board prepares a tentative budget for the next year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Board makes final adjustments to the tentative budget.
4. On or before December 15, the Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The total budget appropriation of any fund may be increased only after a public hearing has been held and followed by resolution of the Board.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 1. Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable arise from charges to water, sewer and garbage customers billed and uncollected at the end of the fiscal year. The District bills individuals and commercial consumers that are assessed fees based on water and sewer usage. These fees are used to operate and maintain the water and sewer distribution systems.

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.

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

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

Cash on hand	\$ -
Deposits	
Cash in bank	<u>11,636</u>
	<u><u>\$ 11,636</u></u>

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 2. Deposits and Investments, Continued

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.

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 \$8,938 was exposed to custodial credit risk because it was uninsured and uncollateralized.

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 3. CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Capital assets not being depreciated:				
Construction in progress	\$ 1,284,967	\$ -	\$ (1,284,967)	\$ -
Total capital assets not being depreciated	<u>1,284,967</u>	<u>-</u>	<u>(1,284,967)</u>	<u>-</u>
Capital assets being depreciated:				
Sewer and water systems	1,775,000	-	(1,775,000)	-
Equipment	66,802	17,352	(84,154)	-
Vehicle	22,500	-	(22,500)	-
Total capital assets being depreciated	<u>1,864,302</u>	<u>17,352</u>	<u>(1,881,654)</u>	<u>-</u>
Accumulated depreciation for:				
Sewer and water systems	1,775,000	-	(1,775,000)	-
Equipment	7,939	9,445	(17,384)	-
Vehicle	1,205	3,214	(4,419)	-
Total accumulated depreciation	<u>1,784,144</u>	<u>12,659</u>	<u>(1,796,803)</u>	<u>-</u>
Business type activities capital assets, net	<u>\$ 1,365,125</u>	<u>\$ 4,693</u>	<u>\$ (1,369,818)</u>	<u>\$ -</u>

The capital asset disposals listed above relate to the transfer of operations to Ticaboo Electric Improvement District. See note 6 for further information.

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 4. Long –Term Debt

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

	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Debt Transferred to other Government</u>	<u>Balance 12/31/2012</u>
Revenue bonds	\$ 384,000	\$ -	\$ (16,000)	\$ (368,000)	\$ -
Total Long-term Debt	<u>\$ 384,000</u>	<u>\$ -</u>	<u>\$ (16,000)</u>	<u>\$ (368,000)</u>	<u>\$ -</u>

GARFIELD COUNTY TICABOO SPECIAL SERVICE DISTRICT NO. 1
(A Component Unit of Garfield County, Utah)
Notes to the Financial Statements
December 31, 2012

NOTE 5. 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. The District participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The District is subject to minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year.

Claims have not exceeded coverage during the calendar year.

NOTE 6. Transfer of District Operations

On September 1, 2012 the District donated all of the assets and liabilities Ticaboo Electric Improvement District, which will now operate the water and sewer systems for Ticaboo. Capital assets, debt, accounts receivable, and accounts payable were removed at their respective book values as of the date of transfer.

The District continued to pay various expenses through the District cash accounts nearly until year end, however, these amounts are fairly insignificant. As such, the cash balance is reflected on the Statement of Net Position, along with the corresponding end of year net position.