

STANSBURY SERVICE AGENCY OF TOOELE COUNTY

FINANCIAL REPORT

DECEMBER 31, 2017

STANSBURY SERVICE AGENCY OF TOOELE COUNTY

FINANCIAL REPORT

DECEMBER 31, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stansbury Service Agency of Tooele County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund of Stansbury Service Agency of Tooele County (the Agency) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 governmental activities, each major fund of Stansbury Service Agency of Tooele County as of and for the year ended December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund 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 the management's discussion and analysis, as listed in the table of contents, 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 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 2, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Keddington & Christensen

July 2, 2018

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

This section of the Stansbury Service Agency of Tooele County's annual financial report presents our discussion and analysis of the Service Agency's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section:

FINANCIAL HIGHLIGHTS

- The Stansbury Service Agency of Tooele County's *total combined net position* is \$24,037,626.
- During the year, the Service Agency program *expenses* were \$1,277,640.
- The changes in net position amounted to \$263,399.
- During the year, the Service Agency program *revenues* were \$504,881 and general revenues were \$1,036,158.
- During the year, the Service Agency collected \$997,819 in *property taxes*, an increase of \$10,196 from 2016.
- The *general fund* balance is \$655,476, all of which is unassigned.
- The *capital projects fund balance* is \$2,643,351, of which \$1,592,885 is restricted and \$1,050,466 is assigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Stansbury Service Agency of Tooele County's basic financial statements. The Service Agency's basic financial statement comprises two components: 1) government wide financial statements and 2) fund financial statements.

The basic financial statements include two kinds of statements that present different views of the district:

- The Statement of Net Position provides government-wide long-term and short-term information about the Service Agency's overall financial status.
- The Governmental Funds Balance Sheet, and Reconciliation of Balance Sheet, provides government-wide long-term and short-term information about the Service Agency's restricted and unrestricted assets, liabilities, and fund balances.
- The Statement of Revenues, Expenses, & Changes in Fund Balances and its Reconciliation provide government-wide information about the Service Agency's revenues and expenses for the year.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Government-wide statements:

The government-wide statements report information about the Service Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Service Agency's most significant funds – not the Service Agency as a whole. Funds are accounting devices that the Service Agency uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Service Agency has two funds:

- General fund
 - This is the general operating fund of the Agency. The general fund is used for all financial resources except those accounted for in another fund.
 - The general fund increased by \$331,652 from 2016 to 2017.
- Capital projects fund
 - This fund is used to account for financial resources used in major capital construction projects. Funds used for such projects are provided by impact fees, capital grants, and transfers from the general fund.
 - The capital projects fund increased by \$53,513 from 2016 to 2017.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE SERVICE AGENCY AS A WHOLE

Net Position. The Service Agency's combined net position for 2017 was \$24,037,626. (See Table 1)

Table 1
Stansbury Service Agency of Tooele County Net Assets

	Governmental Activities		Percentage Change
	2016	2017	
ASSETS			
Total Current Assets	\$ 2,998,112	3,475,175	15.91%
Non Current Assets:			
Property, plant and equipment (net of accumulated depreciation)	20,860,565	20,738,799	-0.58%
Total Assets	\$ 23,858,677	\$ 24,213,974	1.49%
LIABILITIES			
Total Current Liabilities	\$ 84,450	176,348	108.82%
Non Current Liabilities:			
Long-term Debt	-	-	
Total Liabilities	84,450	176,348	108.82%
NET POSITION			
Investment in capital assets (net of related debt)	\$ 20,860,565	\$ 20,738,799	-0.58%
Restricted For:			
Impact Fees	1,250,011	1,592,885	27.43%
Unrestricted:	1,663,651	1,705,942	2.54%
Total Net Position	23,774,227	24,037,626	1.11%
Total Net Position and Liabilities	\$ 23,858,677	\$ 24,213,974	1.49%

A portion of the net position is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net position may be used to fund Service Agency programs in the next fiscal year. However, this does not mean that the Service Agency has significant surplus resources available to pay its bills next year. Rather it is the result of having long-term commitments that are currently less than available resources. The balance has remained similar to the prior years.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Table 2
Stansbury Service Agency of Tooele County Changes in Net Position

	Governmental Activities		Percentage Change
	2016	2017	
REVENUES			
Program revenues			
Charges for services	\$ 113,680	\$ 135,749	19.41%
Capital grants and contributions	446,025	369,132	-17.24%
General revenues			
Property taxes – general	987,623	997,819	1.03%
Interest allocated to impact fees	11,303	18,874	66.98%
Interest	10,847	19,465	79.45%
Gain (Loss) on disposal of equipment	-	-	
Total Revenues	<u>1,569,478</u>	<u>1,541,039</u>	-1.81%
Expenses			
General government	644,822	567,187	-12.04%
Park	244,785	266,912	9.04%
Clubhouse	27,659	36,849	33.23%
Pool	63,385	152,152	140.04%
Golf course	54,882	112,866	105.65%
Lake	30,476	55,496	82.10%
Cemetery	52,203	63,788	0.00%
Greenbelt	8,827	20,422	131.36%
Interest on long-term debt	-	1,968	#DIV/0!
Total Expenses	<u>1,127,039</u>	<u>1,277,640</u>	13.36%
Increase in net position	442,439	263,399	-40.47%
Net position – beginning	<u>23,331,788</u>	<u>23,774,227</u>	1.90%
Net position – ending	<u>\$ 23,774,227</u>	<u>\$ 24,037,626</u>	1.11%

The total of all program revenues and general revenues was \$1,541,039 for the year. General property tax was \$997,819 for the year. The total of all program expenses was \$1,277,640 for the year.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

General Fund Budgetary Highlights

- Over the course of the year the Service Agency did revise its budget.
- The general fund budgeted expenses were \$1,055,018 and actual expenses were \$821,381, which resulted in a positive budgetary variance of \$233,637.
- The capital projects fund budgeted expenses were \$860,000 and actual expenses were \$334,493, which resulted in a positive budgetary variance of \$525,507.
- Capital assets purchased for the year were \$321,391. The major components of these additions were:
 - Golf course relining project completed \$71,000
 - Golf course relining project uncompleted \$68,300
 - Lake diversion structure \$50,000
 - New asphalt at the shop \$58,000
 - Fencing for the swimming pool \$21,000
 - Lakeshore reclamation project \$251,734
 - New Ventrac equipment \$30,900
 - Highway 138 underpass project \$15,400
- There was no additional debt incurred.

General Fund Amended Budget

The budget of the general fund was amended by the Board of Trustees on December 13, 2017 for the reasons described below:

- **Revenue:** Property tax revenues originally budgeted were lower than what was received. As a result, the revenue was increased in the final budget to reflect the increase.
- **Expenditures:** Expenditures were increased to balance the increased revenue.

Economic Factors and Next Year's Budgets

- Revenue from property tax is consistent with prior years. No significant change is expected for 2018.
- Impact fees have decreased approximately \$100,000. This change is a result of building permits paid to Tooele County. Fewer payments were received from the County in 2017.

These indicators were taken into account when adopting the budgets for 2018.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Contacting the Service Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Stansbury Service Agency of Tooele County's finances and to demonstrate the Service Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Stansbury Service Agency, 1 Country Club, Suite 1, Stansbury Park, UT 84074, phone 435-882-6188.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents - unrestricted	\$ 1,293,465
Cash and cash equivalents - restricted	1,501,085
Property taxes receivable	584,848
Other governmental entity - impact fees receivable	91,800
Other receivables	<u>3,977</u>
Total current assets	<u>3,475,175</u>
Capital assets:	
Land and construction in progress	15,218,625
Other capital assets, net of depreciation	<u>5,520,174</u>
Total capital assets:	<u>20,738,799</u>
Total Assets	<u>24,213,974</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 158,433
Deferred Revenue	10,000
Accrued expenses	<u>7,915</u>
Total current liabilities	<u>176,348</u>
 NET POSITION	
Net investment in capital assets	20,738,799
Restricted for:	
Impact fees	1,592,885
Unrestricted	<u>1,705,942</u>
Total net position	<u>\$ 24,037,626</u>

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 688,238	\$ 15,454	\$ 45,132	\$ (627,652)
Park	266,912	-	324,000	57,088
Clubhouse	36,849	40,330	-	3,481
Pool	31,101	46,431	-	15,330
Golf course	112,866	13,734	-	(99,132)
Lake	55,496	-	-	(55,496)
Greenbelt	63,788	-	-	(63,788)
Cemetery	20,422	19,800	-	(622)
Interest on long-term debt	1,968	-	-	(1,968)
Total governmental activities	<u>1,277,640</u>	<u>135,749</u>	<u>369,132</u>	<u>(772,759)</u>
General revenues				997,819
Property taxes - general				18,874
Interest allocated to impact fees				19,465
Interest				<u>1,036,158</u>
Total general revenues				263,399
Change in net position				<u>23,774,227</u>
Net position - beginning, restated				<u>\$ 24,037,626</u>
Net position - ending				

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

ASSETS	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and cash equivalents - unrestricted	\$ 232,999	\$ 1,060,466	\$ 1,293,465
Cash and cash equivalents - restricted	-	1,501,085	1,501,085
Property taxes receivable	584,848	-	584,848
Other governmental entity - impact fees receivable	-	91,800	91,800
Other receivables	<u>3,977</u>	<u>-</u>	<u>3,977</u>
 Total assets	 <u>\$ 821,824</u>	 <u>\$ 2,653,351</u>	 <u>\$ 3,475,175</u>
 LIABILITIES			
Accounts payable	\$ 158,433	\$ -	\$ 158,433
Deferred Revenue	-	10,000	10,000
Accrued expenses	<u>7,915</u>	<u>-</u>	<u>7,915</u>
 Total current liabilities	 <u>166,348</u>	 <u>10,000</u>	 <u>176,348</u>
 FUND BALANCES			
Restricted	-	1,592,885	1,592,885
Assigned	-	1,050,466	1,050,466
Unassigned	<u>655,476</u>	<u>-</u>	<u>655,476</u>
 Total fund balances	 <u>655,476</u>	 <u>2,643,351</u>	 <u>3,298,827</u>
 Total liabilities and fund balances	 <u>\$ 821,824</u>	 <u>\$ 2,653,351</u>	 <u>\$ 3,475,175</u>

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total governmental funds balances	\$ 3,298,827
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>20,738,799</u>
Net position of governmental activities	<u>\$ 24,037,626</u>

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Impact fees	\$ -	\$ 324,000	\$ 324,000
Property taxes	997,819	-	997,819
Capital grants	-	45,132	45,132
Charges for services	122,014	-	122,014
Rental income	13,734	-	13,734
Interest allocated to impact fees	-	18,874	18,874
Interest	19,465	-	19,465
	<u>1,153,032</u>	<u>388,006</u>	<u>1,541,038</u>
Total revenues			
Expenditures			
Current:			
General government	595,857	-	595,857
Park	46,442	-	46,442
Clubhouse	24,674	-	24,674
Pool	54,167	-	54,167
Golf course	23,686	-	23,686
Lake	5,561	-	5,561
Greenbelt	33,848	-	33,848
Cemetary	924	-	924
Debt Service:			
Principal	-	-	-
Interest expense	1,968	-	1,968
Capital outlay:			
General government	34,253	59,719	93,972
Park	-	21,192	21,192
Clubhouse	-	604	604
Pool	-	21,356	21,356
Golf course	-	134,890	134,890
Lake	-	77,440	77,440
Greenbelt	-	4,882	4,882
Cemetery	-	14,410	14,410
	<u>821,380</u>	<u>334,493</u>	<u>1,155,873</u>
Total expenditures			
Excess of revenues over expenditures	<u>331,652</u>	<u>53,513</u>	<u>385,165</u>
Net change in fund balance	<u>331,652</u>	<u>53,513</u>	<u>385,165</u>
Fund balance beginning of year (restated - general fund)	<u>323,824</u>	<u>2,589,838</u>	<u>2,913,662</u>
Fund balance end of year	<u>\$ 655,476</u>	<u>\$ 2,643,351</u>	<u>\$ 3,298,827</u>

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Excess of revenues over expenditures - governmental funds \$ 385,165

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (121,766)

Change in net position of governmental activities \$ 263,399

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL GOVERNMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 964,168	\$ 964,168	\$ 997,819	\$ 33,651
Charges for services	65,850	65,850	122,014	56,164
Rental income	20,000	20,000	13,734	(6,266)
Interest	<u>5,000</u>	<u>5,000</u>	<u>19,465</u>	<u>14,465</u>
Total revenues	<u>1,055,018</u>	<u>1,055,018</u>	<u>1,153,032</u>	<u>98,014</u>
Expenditures				
Current:				
General government	718,782	715,082	595,857	119,225
Park	58,000	56,000	46,442	9,558
Clubhouse	42,000	42,000	24,674	17,326
Pool	84,736	84,936	54,167	30,769
Golf course	35,000	35,000	23,686	11,314
Lake	25,000	25,000	5,561	19,439
Greenbelt	54,000	54,000	33,848	20,152
Cemetery	7,500	7,500	924	6,576
Debt Service:				
Principal	-	-	-	-
Interest expense	-	-	1,968	(1,968)
Capital outlay:				
General government	<u>30,000</u>	<u>35,500</u>	<u>34,253</u>	<u>1,247</u>
Total expenditures	<u>1,055,018</u>	<u>1,055,018</u>	<u>821,380</u>	<u>233,638</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>331,652</u>	<u>331,652</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>331,652</u>	<u>331,652</u>
Fund balance beginning of year (restated)	<u>323,824</u>	<u>323,824</u>	<u>323,824</u>	<u>-</u>
Fund balance end of year	<u>\$ 323,824</u>	<u>\$ 323,824</u>	<u>\$ 655,476</u>	<u>\$ 331,652</u>

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

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

Stansbury Service Agency of Tooele County (the Agency), was created in 1992 by an Interlocal Agreement between Stansbury Recreation Service Area of Tooele County and Stansbury Greenbelt Service Area of Tooele County, both political subdivisions of the State of Utah created by authority of the Utah County Service Area Act, Code 17A-2-401. The Agency is a separate entity of government and, as such, is subject to providing Greenbelt and Recreation services to the Stansbury Park area. The Board members are elected by vote of Stansbury Park property owners.

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. The Reporting Entity

The Agency follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity* to define the reporting entity. The financial statements include all operations over which the Agency is financially accountable. The Agency is not a participant in any joint venture and has not identified any entities which would be component units of the Agency.

The Agency is not a component unit of Tooele County.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the Agency's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when liabilities are incurred.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the Agency are reported as a reduction of the related liability, rather than an expenditure.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures are recorded only when payment is due.

Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period.

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (continued)

USE OF RESTRICTED FUNDS

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed. The order in which unrestricted resources are expended is in the following order: 1) committed, 2) assigned and 3) unassigned.

The Agency reports the following major governmental funds:

GENERAL FUND

The General Fund is the general operating fund of the Agency. It is used to account for all financial resources except those accounted for in another fund.

CAPITAL PROJECTS FUND

The capital projects fund is used to account for resources to be used for capital projects.

D. Other Accounting Policies

Encumbrance accounting is not maintained by the Agency. Due to the size of the Agency, maintaining files is considered adequate to keep track of purchase orders, contracts, and other commitments. The Agency recognizes a liability for accumulated unpaid vacation for eligible employees. As of December 31, 2017, the liability was \$1,760.

E. Impact Fees

The Agency imposes impact fees for the development of open space, trails, recreation facilities and parks for the Stansbury Park area. The Agency adopted a capital facilities plan to determine the construction costs for calculating the amount of the impact fees. The Agency accounts for all impact fees by depositing them into a separate interest bearing account.

Impact fees amounting to \$324,000 were recognized in revenue and \$91,800 were available at Tooele County Assessor but not yet remitted as of December 31, 2017.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

E. Impact Fees (Continued)

For the year ended December 31, 2017, the Agency expended \$0 for capital improvements from impact fees. The Agency is required to refund all impact fees, plus interest, if they have not expended the collected impact fees according to the capital facilities plan within six years of their receipt. The Agency is not liable for any refunds at December 31, 2017.

F. Budgets and Budgetary Accounting

The Agency follows these procedures in establishing the budgetary date reflected in the financial statements:

1. By the first regular scheduled board meeting in November, a proposed operating budget is submitted for the year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By December 15th, the budget is legally enacted through passage of an ordinance.
4. The Board approves, by ordinance, total budget appropriations only. The Treasurer is authorized to transfer budget amounts between line items within the fund; however, any revisions that alter the total appropriations of any fund must be approved by the Board. The Agency must hold a hearing to alter the total expenditures of the general fund. Therefore, the level of budgetary responsibility is total appropriations; however, for report purposes, this level has been expanded to a functional basis.
5. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
6. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

G. Estimates and Assumptions

The Agency uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

H. Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on June 15th and are due November 30th.

I. Risk Management

The Agency purchases insurance from an independent carrier to provide worker's compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

J. Net Position/Fund Balances

The difference between assets and liabilities is "Net Position" on the government-wide and "Fund Balance" on the governmental fund financial statements. Net position is divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance classification includes amounts that are restricted if (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, which is the Board of Trustees of the Agency.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees of the Agency has retained authority to assign amounts to specific purposes which have been approved in the adopted budget.

Unassigned fund balance classification represents fund balance that has not been assigned to other funds and that has not been restricted committed, or assigned to specific purposes.

When both restricted and unrestricted sources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

When committed, assigned, or unassigned sources are available for use, it is the Agency's policy to use committed resources first, assigned resources second, then unassigned resources as they are needed.

K. Fixed Assets

The Agency used the straight line method of depreciation over estimated lives of three to twenty-five years. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost.

NOTE 2. CASH AND CASH EQUIVALENTS

The Agency considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents. Following are the components of the Agency's cash and investments at December 31, 2017:

Cash and cash equivalents - unrestricted	\$ 1,293,465
Cash and cash equivalents - restricted	<u>1,501,085</u>
 Total	 <u>\$ 2,794,550</u>

Deposits

At December 31, 2017, the carrying amount of the Agency's deposits was \$38,558 and the bank balance was \$44,596, which is fully insured by the NCUA. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the Agency follows these recommendations.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The Agency follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of Agency funds in a “qualified depository”. The Act defined 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Investment

At December 31, 2017, the Agency’s investments balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Utah Public Treasurer’s Investment Fund	\$2,755,991	N/A	Unrated

Interest Rate Risk. The Agency has no policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency invests in the Utah Public Treasurer’s Investment Fund which is short term.

Credit Risk. The Agency has no policy regarding credit risk. The investment in the Utah Public Treasurer’s Investment Fund is unrated. These monies are invested primarily in money market securities.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. To limit its exposure to this risk, the Agency tries to limit its deposits in each depositor to the FDIC or NCUA insured limits.

Concentration of Credit Risk. The Agency places no limit on the amount that the Agency may invest in any one issuer. The Agency has no concentration of credit risk.

The Utah Public Treasurer’s Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund is not SEC registered nor is it rated. The fair value of the Agency’s position in the fund is the same as the value of the fund shares.

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

Restricted Assets

Capital Projects Fund – The restricted cash of \$1,501,085 consists of reserves from impact fees received and funds for construction to be used only for the purpose defined by contract or under legal provisions.

NOTE 3. SUMMARY OF CHANGES IN FIXED ASSETS

For the year ended December 31, 2017, depreciation expense was \$443,156. A summary of the fixed assets is as follows:

	12/31/16	Additions	Disposals/ Reclass	12/31/17
Capital assets not being depreciated				
Land	\$ 15,134,968	\$ -	\$ -	\$ 15,134,968
Construction in progress	7,402	76,255	-	83,657
Total capital assets not being depreciated	15,142,370	76,255	-	15,218,625
Capital assets being depreciated:				
Land Improvements	627,804	-	-	627,804
Greenbelt improvements	611,322	4,287	-	615,609
Buildings	965,757	2,977	-	968,734
Building improvements	47,910	57,852	-	105,762
Equipment and vehicles	845,008	33,718	-	878,726
Parks	4,443,958	3,802	-	4,447,760
Cemetery improvement	106,018	-	-	106,018
Recreation facilities	7,105,517	142,500	-	7,248,017
Total capital assets being depreciated	14,753,294	245,136	-	14,998,430
Less: Accumulated depreciation	(9,035,100)	(443,156)	-	(9,478,256)
Total capital assets being depreciated, net	5,718,194	(198,020)	-	5,520,174
Capital assets, net	<u>\$ 20,860,564</u>	<u>\$ (121,765)</u>	<u>\$ -</u>	<u>\$ 20,738,799</u>

STANSBURY SERVICE AGENCY OF TOOELE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 3. SUMMARY OF CHANGES IN FIXED ASSETS (Continued)

Depreciation is reported in the following functions:

General government	\$	89,975
Park		217,952
Clubhouse		14,548
Pool		9,066
Golf course		54,685
Lake		22,495
Cemetery		5,088
Greenbelt		29,347
	\$	443,156

NOTE 4. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS AND RESTRICTED NET POSITION

\$1,592,885 is reported as restricted net position in the government-wide statement of activities and restricted fund balance in the capital projects fund. This is the amount of impact fees collected and not yet expended. All of the restricted net position is restricted by enabling legislation. The capital projects fund also reports \$1,050,466 of assigned fund balance, which is the amount set aside by the Board of Trustees, for future projects. The Board of Trustees is the highest level of authority within the Agency. Formal Board resolution is required to commit Agency funds.

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the auditor's report date, which is the date the financial statements were available to be issued. See below regarding subsequent event of significance.

NOTE 6. BEGINNING BALANCE ADJUSTMENT

Subsequent to year end, the Agency was informed by the Utah Retirement Systems that they would need to be included in the Systems. As a result, prior year amounts due were calculated and paid by the Agency. The amount applicable to prior years was \$57,148, which caused a decrease in the government wide unrestricted net position and the unassigned general fund balance.

**STANSBURY SERVICE AGENCY
OF TOOELE COUNTY**

SUPPLEMENTAL REPORTS

DECEMBER 31, 2017

**STANSBURY SERVICE AGENCY OF TOOELE COUNTY
SUPPLEMENTAL REPORTS
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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

Board of Trustees
Stansbury Service Agency of Tooele County

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 governmental activities and each major fund of Stansbury Service Agency of Tooele County (the Agency) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Recommendations* that we consider to be significant deficiencies (2017-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stansbury Service Agency of Tooele County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

Agency's Response to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements 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.

Keddington & Christensen

July 2, 2018



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY *STATE COMPLIANCE AUDIT GUIDE***

To the Board of Trustees
Stansbury Service Agency of Tooele County

We have audited Stansbury Service Agency of Tooele County's (the Agency) 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 Agency for the year ended December 31, 2017.

State compliance requirements were tested for the year ended December 31, 2017 in the following areas:

Budgetary Compliance
Utah Retirement System
Public Treasurer's Bond

Fund Balance
Open and Public Meetings Act

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Agency's compliance based on our audit of the 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 a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Agency'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 requirement referred to above. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on General State Compliance Requirements

In our opinion, Stansbury Service Agency of Tooele County, complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the state compliance requirements that could have a direct and material effect on the Agency to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with 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 Agency'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 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 general 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 program 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.

Keddington & Christensen

Keddington & Christensen, LLC
Salt Lake City, Utah
July 2, 2018

**STANSBURY SERVICE AGENCY OF TOOELE COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
December 31, 2017**

FINDINGS - FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS

2017-01 SEGREGATION OF DUTIES (Significant Deficiency)

Finding:

Utah code 17B-1-632 through 635 requires that the Agency maintain a separation of duties by appointing a clerk, which performs the accounting functions and a different person as a treasurer, who handles the cash etc. We noted that cash receipts are received and recorded into the general ledger and deposit prepared by the office manager. Therefore, the office manager is performing the duties of both the clerk and treasurer as described by Utah code. The Agency has not established internal controls sufficient to prevent the deficiency noted above by appointing separate individuals to serve as clerk and treasurer. This segregation of duties weakness creates the risk that funds could be misappropriated and go undetected.

Recommendation:

We recommend that Agency establish effective internal controls by appointing separate individuals to serve as the clerk and treasurer as prescribed by Utah code 17B-1-632 through 635. For guidance on how this can be done given the Agency only has one staff we quote from Auditor Alert 2017-04 (from the Office of the State Auditor), "In a district with only one staff member, the board selects one board member to act as Chairman, appoints the staff member as either the Treasurer or the Clerk, and appoints a board member as the remaining Treasurer or Clerk role.

Agency's Response:

The Agency is aware of the concern for segregating the accounting and treasurer functions. We are currently in the process of adding additional procedures to compensate for the control deficiencies noted.

STATE COMPLIANCE – Immaterial Instances of Noncompliance

None Noted