INDEPENDENT AUDITORS’ REPORT

To the Administrative Control Board
Seven County Infrastructure Coalition
Price, Utah 84501

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the General Fund of Seven County Infrastructure Coalition, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Coalition’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 Governmental 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 of 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 Coalition’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 Coalition’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 of the General Fund of Seven County Infrastructure Coalition as of December 31, 2017, and the respective changes in 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 the management’s discussion and analysis and budgetary comparison information on pages 3-8 and 26 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 inquires 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 June 11, 2018, on our consideration of Seven County Infrastructure Coalition’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 Seven County Infrastructure Coalition’s internal control over financial reporting and compliance.

SMUIN, RICH & MARSING

Price, Utah

June 11, 2018
As management of the Seven County Infrastructure Coalition, we offer readers of the Seven County Infrastructure Coalition’s financial statements this narrative overview and analysis of the financial activities of the Coalition for the calendar year ended December 31, 2017. It is designed to provide an overview of the Coalition’s financial activity. It is also intended to assist the reader in focusing on significant financial issues. These include identifying changes in the Coalition’s financial position (its ability to address the next and subsequent year’s challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Coalition’s financial statements.

FINANCIAL HIGHLIGHTS

The Coalition’s net position decreased $44,696 during 2017 compared to an increase of $94,686 during 2016.

CIB proceed money for the year ended December 31, 2017, was $1,365,540 compared to $1,474,243 for the previous year. This was a decrease of $108,703 or 7.37%. In 2017 the Coalition reported Other Governmental Income of $88,186 compared to $2,165 in 2016. This was an increase of $86,021. The majority of this Other Governmental Income in 2017 is from the Uintah Transportation Special Service District.

In 2017, the Coalition's total expenditures in the Statement of Activities were $1,498,657 compared to $1,483,347 in 2016. This was an increase of $15,310 or 1.03%.

In 2017, all CIB money was taken out of PTIF accounts in the name of the Coalition. This resulted in the Coalition no longer having PTIF balances to report and the Coalition no longer reporting Deferred Revenue. The PTIF balance at the end of 2016 was $2,590,119; and the Deferred Revenue balance at the end of 2016 was $2,316,017; at the end of 2017 these balances are $0.00.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Position and the Statement of Activities (on pages 9-11) provide information about the activities of the Coalition as a whole and present a long-term view of the Coalition’s finances. Fund financial statements start on page 12. For governmental activities, these 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 Coalition’s operations in more detail than the government-wide statements by providing information about the Coalition’s most financially significant funds.

REPORTING THE COALITION AS A WHOLE

Our analysis of the Coalition as a whole begins on page 9. The Statement of Net Position and Statement of Activities report information about the Coalition as a whole and about its activities in a way that helps determine if the Coalition is better or worse off as a result of the year’s activities.
REPORTING THE COALITION AS A WHOLE (Continued)

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the \emph{accrual basis of accounting}, which is similar to the accounting method 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 Coalition’s \emph{net position} and changes in them. Net position equals the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This is one way to measure the Coalition’s financial position. Increases or decreases in the Coalition's net position are one indicator of whether the financial position of the Coalition is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Coalition shows all of the activities in one fund:

Governmental activities—All of the Coalition’s basic services are reported here. CIB Proceeds financed almost all of the Coalition’s activities.

\textbf{Reporting the Coalition’s Most Significant Funds}

Our analysis of the Coalition’s General Fund begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The Coalition is operated with governmental funds, which use a different accounting approach.

\textit{Governmental funds}—All of the Coalition’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called \textit{modified accrual} accounting, which measures cash and all other \textit{financial} assets that can readily be converted to cash. The governmental fund statements provide a detailed \textit{short-term view} of the Coalition’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Coalition’s programs. We describe the relationship or differences between governmental \textit{activities} (reported in the Statement of Net Position and the Statement of Activities) and governmental \textit{funds} in a reconciliation at the bottom of the financial statements or on a separate statement.

\textbf{The Coalition as Trustee}

The Coalition does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

\textbf{Government-wide financial statements}

The government-wide financial statements are designed to provide readers with a broad overview of the Coalition’s finances, in a manner similar to private-sector business. The Coalition’s Statement of Net Position, which increased during the current calendar year, presents information on all of the Coalition’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between those are reported as net position.
Government-wide financial statements (Continued)

The Statement of Activities presents information showing how the Coalition’s net position changed during the most recent fiscal year. The government-wide financial statements include the Coalition’s activity only. If the Coalition (the primary government) had accountability to any other entity (known as a component unit) that information would also be presented in the government-wide financial statements. Financial information for a component unit would be reported separately from the financial information presented for the primary government.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Coalition’s governmental activities.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
</tr>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$ 2,806,713</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 2,806,713</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>…</td>
</tr>
<tr>
<td>Total assets and deferred outflow of resources</td>
<td>$ 2,806,713</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$ 384,876</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>10,100</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 394,976</td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>$ 2,316,017</td>
</tr>
<tr>
<td>Total liabilities and deferred inflows of resources</td>
<td>$ 2,710,993</td>
</tr>
<tr>
<td>Net position: Unrestricted</td>
<td>$ 95,720</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 95,720</td>
</tr>
</tbody>
</table>
Government-wide financial statements (Continued)

Net Position of the Coalition’s governmental activities decreased $44,696 during the 2017 year, compared to an increase of $94,686 during 2016. *Unrestricted* net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is a positive $51,024 at the end of the year.

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Primary Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>$1,476,408</td>
<td>$1,453,726</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>101,625</td>
<td>235</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$1,578,033</td>
<td>$1,453,961</td>
</tr>
</tbody>
</table>

| **Expenditures**      |       |       |       |       |
| Highways and Public Improvements | $1,483,347 | $1,498,657 | $1,483,347 | $1,498,657 |
| **Total program expenses** | $1,483,347 | $1,498,657 | $1,483,347 | $1,498,657 |
| **Change in net position** | $94,686  | $(44,696) | $94,686  | $(44,696) |
| **Net position - beginning** | $1,034   | $95,720 | $1,034   | $95,720 |
| **Net position - ending** | $95,720  | 51,024 | $95,720  | 51,024 |
| **Change in net position** | $94,686  | $(44,696) | $96,754  | $(44,696) |
The Coalition’s operational goals for future years are to continue to investigate and implement regional infrastructure projects in the Uintah, Duchesne, Daggett, Carbon, Emery, San Juan, and Sevier Counties that will increase economic opportunity in those areas. The Coalition hopes to continue to secure CIB Proceeds and will use the funds to cooperatively plan and implement projects that are beneficial to the counties participating in the Coalition.

Governmental Activities

CIB Proceeds for the Coalition, which are the major revenue source, decreased $108,703 this was a 7.37 percent decrease from the prior year. Revenues for the year were less than expenditures, thus the net position decreased by $44,696 in 2017.

The cost of all governmental activities this year was $1,498,657. As shown in the Statement of Activities on page 11, CIB Proceeds paid for almost all of these activities. Expenditures increased $15,310 a 1.03 percent increase from the prior year.

Business-type Activities

The Coalition does not have any business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Coalition's 2017 original budget was adopted on December 15, 2016. There were no changes that required another public hearing and amendment of the 2017 budget; therefore, the original budget for 2017 was the final budget.

In the General Fund, the actual charges for expenditures were $1,529,601. This was $756,649 under the final budget amount.

In the General Fund, actual revenues were $1,453,961. This was $832,289 below the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of December 31, 2017, the Coalition had $30,944 (net) invested in one capital asset (see Table 3 below). This amount increased $30,944 over the previous year due to this being the first year the Coalition had an expenditure that met the criteria for a Capital Asset.
Table 3
Capital Assets at Year-End
(Net of Depreciation)
December 31

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$</td>
<td>$30,944</td>
</tr>
<tr>
<td>Total assets activities</td>
<td>$</td>
<td>$30,944</td>
</tr>
</tbody>
</table>

Long-term Debt

At the end of December 31, 2017, the Coalition does not have any debt.

ECONOMIC FORECAST AND FUTURE BUDGET

The Coalition covers seven counties on the eastern half of the State of Utah. The region in general has suffered economic hardships due to decreased production in coal, oil and gas. The Coalition has dedicated the majority of its time and funding to identify and prioritize infrastructure projects and corridors that will help stabilize the region and provide for future growth. Projects with Coalition participation include: the Book Cliffs Transportation Corridor connecting Seep Ridge Road to I-70, the Carbon-Duchesne pipeline project, Broadband in San Juan and Daggett Counties, Utilities for a proposed oil upgrader on Leland Bench, Rail connecting the Uintah Basin and Colorado, Ridge Road reconstruction and studies development in Eastern Utah.

CONTACTING THE COALITION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the Seven County Infrastructure Coalition’s finances and to show the Coalition’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike McKee – Executive Director via E-Mail at mmckee@7county.utah.gov or mail correspondence to 751 East 100 North, Price, Utah 84501.
SEVEN COUNTY INFRASTRUCTURE COALITION
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES

Current assets:
  Cash and cash equivalents $ 9,529
  Due from other governments 623,609

Total current assets $ 633,138

Noncurrent assets:
  Capital assets, net of accumulated depreciation
    Equipment $ 30,944

Total noncurrent assets $ 30,944

Total assets $ 664,082

"The accompanying notes are an integral part of this statement."
### SEVEN COUNTY INFRASTRUCTURE COALITION

#### STATEMENT OF NET POSITION

**DECEMBER 31, 2017**

<table>
<thead>
<tr>
<th>PRIMARY GOVERNMENT</th>
<th>GOVERNMENTAL ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 602,958</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$ 602,958</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Due to Carbon County</td>
<td>$ 10,100</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$ 10,100</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 613,058</td>
</tr>
</tbody>
</table>

**NET POSITION**

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NET POSITION:</td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 51,024</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 51,024</td>
</tr>
<tr>
<td>Total liabilities and net position</td>
<td>$ 664,082</td>
</tr>
</tbody>
</table>

"The accompanying notes are an integral part of this statement."
# SEVEN COUNTY INFRASTRUCTURE COALITION
## STATEMENT OF ACTIVITIES
### FOR THE YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>FUNCTION/PROGRAMS</th>
<th>Revenues</th>
<th>Operating Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Governmental Activities</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways and public improvements</td>
<td>$1,498,657</td>
<td>$1,453,726</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (44,931)</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$1,498,657</td>
<td>$ -</td>
<td>$1,453,726</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (44,931)</td>
</tr>
</tbody>
</table>

**General Revenues:**
- Miscellaneous revenue: $235
- Total general revenues: $235
- Change in net position: $ (44,696)

Net position - beginning: 95,720
Net position - ending: $51,024

"The accompanying notes are an integral part of this statement."
# SEVEN COUNTY INFRASTRUCTURE COALITION
## BALANCE SHEET
### GOVERNMENTAL FUNDS
#### DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>GENERAL FUND</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$9,529</td>
<td>$9,529</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>$623,609</td>
<td>$623,609</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$633,138</strong></td>
<td><strong>$633,138</strong></td>
</tr>
</tbody>
</table>

| LIABILITIES AND FUND BALANCES | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $602,958 | $602,958 |
| **Total current liabilities** | **$602,958** | **$602,958** |

| NONCURRENT LIABILITIES: | | |
| Due to Carbon County | $10,100 | $10,100 |
| **Total noncurrent liabilities** | **$10,100** | **$10,100** |
| **Total liabilities** | **$613,058** | **$613,058** |

| FUND BALANCES: | | |
| Unrestricted | $20,080 | $20,080 |
| **Total fund balances** | **$20,080** | **$20,080** |
| **Total liabilities and fund balances** | **$633,138** | **$633,138** |

“The accompanying notes are an integral part of this statement.”
Total fund balances - governmental fund types: $ 20,080

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

<table>
<thead>
<tr>
<th>Equipment</th>
<th>$ 30,944</th>
<th>30,944</th>
</tr>
</thead>
</table>

Net assets of governmental activities $ 51,024

"The notes to the financial statements are an integral part of this statement."
# Seven County Infrastructure Coalition

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the Year Ended December 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>$ 1,453,726</td>
<td>$ 1,453,726</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>235</td>
<td>235</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$ 1,453,961</td>
<td>$ 1,453,961</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current - Highways and public improvements</td>
<td>$ 1,529,601</td>
<td>$ 1,529,601</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$ 1,529,601</td>
<td>$ 1,529,601</td>
</tr>
<tr>
<td><strong>Excess of revenue over (under) expenditures</strong></td>
<td>$ (75,640)</td>
<td>$ (75,640)</td>
</tr>
<tr>
<td><strong>Excess of revenues and other sources over (under) expenditures and other uses</strong></td>
<td>$ (75,640)</td>
<td>$ (75,640)</td>
</tr>
<tr>
<td><strong>Fund Balance, January 1,</strong></td>
<td>95,720</td>
<td>95,720</td>
</tr>
<tr>
<td><strong>Fund Balance, December 31,</strong></td>
<td>$ 20,080</td>
<td>$ 20,080</td>
</tr>
</tbody>
</table>

"The accompanying notes are an integral part of this statement."
SEVEN COUNTY INFRASTRUCTURE COALITION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net changes in fund balances - total governmental funds</td>
<td>$(75,640)</td>
</tr>
<tr>
<td>Amounts reported for governmental activities in the statement of activities are different because:</td>
<td></td>
</tr>
<tr>
<td>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($33,757) exceeded depreciation ($2,813) in the current period.</td>
<td>30,944</td>
</tr>
<tr>
<td>Change in net assets of governmental activities</td>
<td>$(44,696)</td>
</tr>
</tbody>
</table>
1. **HISTORY AND ORGANIZATION**

   Seven County Infrastructure Coalition (the Coalition) was created in 2014 by Uintah, Duchesne, Daggett, Carbon, Emery, and San Juan Counties. In 2016, the Coalition adopted a resolution admitting Sevier County to the Coalition. The Coalition's mission is to improve the quality of life of citizens through cooperative regional planning, increased economic opportunity, and sustainable implementation. The Coalition investigates and implements regional infrastructure projects. The Coalition is governed by a Board of Directors. The Board of Directors has all powers and duties in the operation of the Coalition, including: the power of eminent domain and the power to enter into contracts, issue revenue bonds, select its domicile, set meeting times, adopt regulations and bylaws for its operations and adopt budgets.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

   The financial statements of Seven County Infrastructure Coalition have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Coalition are described below.

   In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*. Certain significant changes in the Statement include the following:

   1) A Management’s Discussion and Analysis (MD&A) providing an analysis of the Coalition’s overall financial position and results of operations.

   2) Financial statements prepared using modified-accrual accounting for all of the Coalition’s activities.

   3) A change in the fund financial statements to focus on the major funds.

   This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

   **A. Reporting Entity**

   Seven County Infrastructure Coalition is a separate legal and administrative entity pursuant to the provisions of section 11-13-5.5 of the Utah Code. The Coalition is governed by a Board of Directors. The Coalition is a legally separate entity that possesses the power to set its own budget, incur debt, to sue and be sued, and to own and lease property. The seven counties exercise no significant controlling powers over the Coalition. As such, the Coalition is not a component unit, as defined by the Governmental Accounting Standards Board in its statement number 14 "The Financial Reporting Entity".
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Further, as defined in this statement, the Coalition has no component units which should be included in the accompanying financial statements.

All financial activities over which the Coalition has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the Coalition’s financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the Coalition’s financial statements.

B. **Government-Wide Financial Statements**

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net position and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is 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 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.

The statement of net position is the basic government-wide statement of position that presents all of the Coalition’s permanent accounts (assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position).

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Coalition reports the following major governmental funds:

General Fund - The General Fund is the Coalition’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Capital Assets

Capital assets, which include, land, water stock, buildings, improvements, other than buildings, and equipment, are reported in the government-wide financial statements. The Coalition defines capital assets as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of one year. 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the Coalition is included as part of the capitalized value of the assets constructed.

The Coalition does have capital assets as of December 31, 2017. Equipment is depreciated using the straight-line method over the following estimate useful life:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>5-10</td>
</tr>
</tbody>
</table>
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Pensions**

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**F. Budgeting**

The Coalition follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the Coalition.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the Treasurer prepares a tentative budget and files it with the Board of Directors.
4. 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.
5. Notice of the scheduled public hearings is published at least ten days prior to the meetings.
6. 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 Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board of Directors adopts the budget by resolution. 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.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

**G. Cash and Cash Equivalents and Investments**

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. **Net Position**

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is “Net Position” on the government-wide financial statements and “Fund Balance” on the governmental fund financial statements. Net position is divided into net investment in capital assets, 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.

I. **Fund Equity**

In February 2009, GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. Fund balance classification changes apply only to governmental fund types; thus, only fund financial statements are affected.

**Nonspendable Fund Balance** – Fund balances are reported as nonspendable when they cannot be spent because they are not spendable in form or are legally or contractually required to be maintained intact.

**Restricted Fund Balance**—Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, or by law through constitutional provisions or enabling legislation.

**Committed Fund Balance**—Fund balances are reported as committed when the Coalition's Board, the Coalition’s highest level of decision-making authority, formally designates the use of resources, by an ordinance or resolution, for a specific purpose. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example legislation, ordinance, resolution) employed to previously commit those amounts. As of December 31, 2017, the Coalition had not adopted a written policy indicating what the highest level of decision-making authority is or the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment. Although no formal written policy has been adopted, it has been the practice of the Coalition to use the Coalition's Board as the highest level of decision making authority. If commitments have been made, this body would be the authorized body to commit, modify or rescind any action.

**Assigned Fund Balance**—Fund balances are reported as assigned when the Coalition intends to use funds, which are neither restricted nor committed, for a specific purpose. The Coalition has not officially adopted a policy designating the body or official authorized to assign amounts to a specific purpose. Although no formal policy has been adopted it has been the practice of the Coalition under the action of the Coalition Board to assign the use of funds for specific purposes. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.

**Unassigned Fund Balance**—Fund balances in the general fund are reported as unassigned when they are neither restricted, committed nor assigned. They may be used for any governmental purpose. In other governmental funds, the unassigned classification is only used to report a negative fund balance.
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the unwritten policy and practice of the Coalition to consider restricted amounts to have been spent first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the unwritten policy and practice of the Coalition that committed amounts will be spent first, followed by assigned amounts, and then unassigned amounts. The Coalition has not adopted a formal policy regarding a minimum fund balance.

3. **DEPOSITS AND INVESTMENTS**

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Coalition’s deposits may not be returned to it. The Coalition does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, the Coalition’s bank balance of $11,292 was all insured and collateralized.

**Investments**

The State 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 Coalition follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Coalition 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.

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

Statutes authorize the Coalition to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market...
3. DEPOSITS AND INVESTMENTS (Continued)

mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer’s Investment Fund.

Fair Value of Investments

The Coalition measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- **Level 1**: Quoted prices for identical investments in active markets;
- **Level 2**: Observable inputs other than quoted market prices; and,
- **Level 3**: Unobservable inputs.

At December 31, 2017, the Coalition had no recurring fair value measurements:

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets.
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities’ relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers’ Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the District’s average daily balance in the fund; and,
- Donated Real Estate: recent appraisals of the real estate’s value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Coalition’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of December 31, 2017, the Coalition had no investments.
3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Coalition policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act, as previously discussed.

At December 31, 2017, the Coalition had no investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Coalition’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Coalition will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Coalition does not have a formal policy for custodial credit risk. As of December 31, 2017, the Coalition had $0.00 in Public Treasurers’ Investment Fund which was held by them.

4. CASH AND CASH EQUIVALENTS - RESTRICTED

Cash and cash equivalents - restricted represent grant amounts that are restricted for future capital projects. The District did not have any restricted cash for the period ending December 31, 2017.

5. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America 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 basic financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.
6. **PENSION PLANS**

*General Information about the Pension Plan*

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System): is a multiple employer, cost sharing, public employees, retirement systems.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems’ defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

The Coalition does have one employee who is eligible to participate in the Utah Retirement System. However, the employee opted out of participating in the pension plan for all of 2017 and filled out an exemption form accordingly. The URS shows that Unit #697 terminated their coverage on 12/31/2016. The District is making retirement contributions to the employee.

7. **BUDGET COMPLIANCE**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – disclose budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2017, the Coalition had no unfavorable variances.
8. **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

<table>
<thead>
<tr>
<th>Government activities:</th>
<th>Beginning Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td>33,757</td>
<td></td>
<td>33,757</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>$ …</td>
<td>$ 33,757</td>
<td>$ …</td>
<td>$ 33,757</td>
</tr>
</tbody>
</table>

| Less accumulated depreciation for: |                     |           |           |                |
| Equipment                         |                    | 2,813     |           | 2,813          |
| Total accumulated depreciation      | $ … | $ 2,813 | $ … | $ 2,813 |

| Government activities capital assets, net | $ … | $ 30,944 | $ … | $ 30,944 |

The increase in the Capital Assets account was due to the purchase of a 2017 Honda CR-V which was purchased with current funds.

9. **RELATED PARTY TRANSACTIONS**

The Coalition does not have any related party transactions for the year 2017, nor are any individuals or companies deemed to be a related party.

10. **SUBSEQUENT EVENTS**

Subsequent events were reviewed thru June 11, 2018. None were found that were determined to be included in the footnotes or the financial statements.
11. **COMMITMENTS**

The Coalition has entered into the following contracts for work to be completed:

<table>
<thead>
<tr>
<th>Project</th>
<th>Remaining Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extend SR-88 to I-70 - Phase I</td>
<td>$ 558,432</td>
</tr>
<tr>
<td>Duggett and Uintah Counties Trails Master Plan</td>
<td>200,000</td>
</tr>
<tr>
<td>Bookcliffs Power Transmission Line</td>
<td>165,000</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td><strong>$ 923,432</strong></td>
</tr>
</tbody>
</table>
## SCHEDULE 1

**SEVEN COUNTY INFRASTRUCTURE COALITION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>BUDGET AMOUNTS</th>
<th>ACTUAL AMOUNTS</th>
<th>VARIANCE WITH FINAL BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ORIGINAL</td>
<td>FINAL</td>
<td>AMOUNTS</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td>(UNFAVORABLE)</td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>$2,286,250</td>
<td>$2,286,250</td>
<td>$1,453,726</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td></td>
<td></td>
<td>$1,453,726</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(832,524)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$2,286,250</td>
<td>$2,286,250</td>
<td>$1,453,961</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(832,289)</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highways and public improvements</td>
<td>$2,286,250</td>
<td>$2,286,250</td>
<td>$1,529,601</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$756,649</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$2,286,250</td>
<td>$2,286,250</td>
<td>$1,529,601</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$756,649</td>
</tr>
<tr>
<td>Excess of revenues over (under) expenditures</td>
<td></td>
<td>$ (75,640)</td>
<td>$ (75,640)</td>
</tr>
<tr>
<td>Fund balances - beginning of year</td>
<td></td>
<td></td>
<td>95,720</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>95,720</td>
</tr>
<tr>
<td>Fund balances - end of year</td>
<td>$...</td>
<td>$...</td>
<td>$20,080</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$20,080</td>
</tr>
</tbody>
</table>

"The accompanying notes are an integral part of this schedule"
Administrative Control Board
Seven County Infrastructure Coalition
Price, Utah 84501

RE: Independent Auditor's Report as Required by the State Compliance Audit Guide on: Compliance with State Compliance Requirements and Internal Control Over Compliance

Report On Compliance with General State Compliance Requirements

We have audited Seven County Infrastructure Coalition's compliance with the applicable state requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, for the year ended December 31, 2017.

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Seven County Infrastructure Coalition's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the Coalition'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 reported above. However, our audit does not provide a legal determination of the Seven County Infrastructure Coalition's compliance with those requirements.
Opinion on Compliance

In our opinion, Seven County Infrastructure Coalition complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which are described in our letter to management dated June 11, 2018 as items 2017-1, 2017-2, 2017-3, and 2017-4. Our opinion on compliance is not modified with respect to these matters.

The Coalition’s responses to the noncompliance findings identified in our audit are described in the accompanying letter to management. The Coalition’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Seven County Infrastructure Coalition is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Coalition's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the State Compliance Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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 state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.
We noted matters involving internal control over compliance which we are submitting for your consideration. These matters are described in our letter to management dated June 11, 2018 as items 2017-1, 2017-2, 2017-3 and 2017-4.

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.

SMUIN, RICH & MARSING

Price, Utah

June 11, 2018
Administrative Control Board
Seven County Infrastructure Coalition
Price, Utah 84501

RE: Independent Auditor’s Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Seven County Infrastructure Coalition as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Coalition’s basic financial statements and have issued our report thereon dated June 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Seven County Infrastructure Coalition’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 Seven County Infrastructure Coalition’s internal control. Accordingly, we do not express an opinion on the effectiveness of Seven County Infrastructure Coalition’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 Coalition’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 a deficiency in internal control, described in the accompanying management letter as item number 2017-1, but was not considered to be a significant deficiency.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition’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 Coalition’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SMUIN, RICH & MARSING

Price, Utah

June 11, 2018
Administrative Control Board  
Seven County Infrastructure Coalition   
Price, Utah 84501  

Ladies/Gentlemen:  

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the basic financial statements of Seven County Infrastructure Coalition for the year ended December 31, 2017.  

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.  

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions. 

**2017-1 ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE BALANCES**

Accounts payable balances were not accurately reflected in the financial statements and although adjustments made were not determined to be significant, they were determined to warrant a management recommendation. Accounts payable and the accompanying expense should be recorded for an obligation to pay for work performed or goods purchased during the year in which the work was performed or the goods purchased. The Coalition did not record several invoices as payables for which work was performed during 2017 amounting to an adjustment to accounts payable of $105,909.  

Accounts receivable balances were not accurately reflected in the financial statements and again, they were not determined to be significant, but have determined to warrant a management recommendation. Accounts receivable arise because of the time lag before payment is received. The Coalition should record a receivable and the accompanying revenue in the year when the Coalition has incurred an expense that will be reimbursed by the CIB. An adjustment of $252,106 was made to Accounts Receivable to reflect the proper balance at year end.  

We recommend the Coalition carefully review outstanding invoices at the end of the year. Any invoices for work performed during the year need to be recorded as a payable and an expense for the year when the work was performed. A receivable and revenue need to be recorded when an expense has been incurred by the Coalition until money is received from the CIB for reimbursement, or it is determined that the CIB will not be reimbursing for certain expenses. If it is known that certain expenses will not be reimbursed by the CIB, these should not be recorded as a receivable or revenue. We further recommend the Coalition establish, adopt and implement internal controls which will ensure that all expenses, revenues, accounts payable, and accounts receivable are recorded in the proper period to ensure financial statements are reported in accordance with generally accepted accounting principles.
Coalition’s Response

The coalition has requested proposals to provide additional accounting and administrative staff with time and resources to ensure that year end receivables and payables are accounted for in the correct period. The Coalition Board and Executive Director will work with staff to ensure year end cutoff procedures are followed.

2017-2 IMPROPER REPORTING WHEN PORTION OF MEETING WAS CLOSED

According to Utah Code section 52-4-204, “the reason for holding a closed meeting as well as the vote by name, of each member of the public body, either for or against the motion to hold the closed meeting must be entered in the minutes of the open meeting at which the closed meeting was approved.” During 2017 the Coalition had closed meetings on February 3, March 3, April 7, May 5, June 2, and July 7 where there was not a reason for the closed meeting disclosed in the minutes. Further, the minutes of these meetings and other meetings held in 2017 did not include the vote by name of who approved the closed meeting.

We recommend the Coalition review the requirements for a closed meeting and start including the reason for a closed meeting and the vote by name for a closed meeting in the minutes to ensure compliance with state code.

Coalition’s Response

The Audio recordings of these meetings show the reason for holding a closed session was stated. This finding is consistent with guidance from the Utah Attorney General’s Office recommendation which the Coalition has followed since July 2017. The Coalition will continue to record a roll call vote for closed meetings in the future.

2017-3 INACCURATE DEPOSIT AND INVESTMENT REPORT

Utah code section 51-7-15 requires a written report containing information about the deposits and investments of an entity for six months ending December 31 and June 30 to be filed with the Money Management Council. The Coalition did file the reports on a timely basis. However, the report for December 31, 2017, had an inaccurate balance reported on the Zions account. The report filed showed a balance of $42,025.34 while the actual bank balance was $11,291.58.

We recommend the Coalition carefully review information for accuracy on reports before they are filed with the Money Management Council. We recommend the Coalition establish, adopt and implement internal controls which will ensure accuracy on required reporting.

Coalition’s Response

The Deposit and Investment report was produced using January 2018 balances in error. The Coalition will review its procedures for producing Money Management Council reports to provide for a quality control review prior to submission of the report.
2017-4 FAILURE TO PREPARE QUARTERLY FINANCIAL STATEMENTS

Interlocal Entities should prepare financial reports at least quarterly to be provided to and reviewed by the governing body. The Coalition did not produce and review financial statements on at least a quarterly basis during the year ended December 31, 2017.

We recommend the Coalition begin providing and reviewing financial statements on at least a quarterly basis. This will help the governing body of the Coalition have a better understanding and control of the financial position of the Coalition.

Coalition’s Response

Coalition expenditures and grant funding available were reviewed at monthly coalition meetings. The Coalition will modify its monthly financial reports to contain balance sheet information on a monthly basis.

SUMMARY

We feel the issues mentioned above are areas where the Coalition can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

Price, Utah
June 11, 2018