

HEBER VALLEY
TOURISM & ECONOMIC DEVELOPMENT

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2016

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT

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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

Honorable Governing Board Members
Heber Valley Tourism and Economic Development
Heber City, Utah

June 30, 2017

We have audited the accompanying financial statements of the governmental activities and major fund of Heber Valley Tourism and Economic Development Agency (HVTED), a component unit of Wasatch County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise HVTED'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. 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 and major fund of HVTED, as of December 31, 2016, and the respective changes in financial position and 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 24 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 June 30, 2017, on our consideration of HVTED'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 HVTED's internal control over financial reporting and compliance.

Gilbert & Stewart

Gilbert & Stewart
Certified Public Accountants

Heber Valley Tourism and Economic Development MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Heber Valley Tourism and Economic Development (HVTED), we offer readers of HVTED's financial statements this narrative overview and analysis of the financial activities of HVTED for the calendar year ended December 31, 2016. Please read it in conjunction with HVTED's financial statements and additional information that has been furnished with the Independent Auditors' Report.

HISTORY AND BACKGROUND OF HVTED

Heber Valley Tourism and Economic Development is the official business and tourism, recruitment, and promotional arm of Wasatch County. The name of the office has changed several times over the years to meet the needs of the office and its responsibilities.

The office is an inter-local government entity that is governed by representatives of Wasatch County, Heber City, Midway City, and other at-large members. The salary and benefits for HVTED are administered through Wasatch County's personnel department.

HVTED is primarily funded through transient room tax dollars collected by the Utah State Tax Commission and distributed to Wasatch County. Wasatch County, Midway City, and Heber City also contribute annual funds to HVTED's operational budget. Other sources of funds come from state and federal grants.

HVTED assumes the management and responsibility for the Heber Valley Chamber of Commerce in order to better provide the local businesses an opportunity to grow.

FINANCIAL HIGHLIGHTS

- The assets of HVTED exceeded the liabilities as of the close of the most recent year by \$426,994 (net position).
- At the close of the calendar year, HVTED had generated \$93,277 in grant monies to support business and tourism development in the area.
- Overall, revenues for 2016 increased from 2015 by \$108,256. There were increases in revenues from TRT allocations of \$190,708 and chamber membership dues of \$3,165, and there were decreases in grants of (\$3,848), interest income of (\$38), and other income of (\$81,731) for the year. The overall expenditures increased from 2015 by \$89,747 in overall expenditures.

Using this Annual Report

This annual report consists of a series of reports and financial statements including the following: Management's Discussion and Analysis report, the Independent Auditors' Report, the Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position. These reports and statements provide information about the activity of HVTED and present a longer-term view of their finances. This report also contains other supplementary information in addition to the basic financial statements themselves.

Reporting HVTED as a Whole

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about HVTED as a whole and about its activities in a way that helps determine if HVTED is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the 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 accounted for, regardless of when cash is received or paid.

These two statements report HVTED's net position and the changes in them. Net position equals the difference between assets and liabilities. This is one way to measure HVTED's financial position. Increases or decreases in HVTED's net position are another indicator of whether the financial position of HVTED is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of HVTED.

In the statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, HVTED shows all of its activities in one fund.

- Governmental Fund

Reporting HVTED's Significant Fund

HVTED has only one fund, which accounts for the activity of HVTED. The entity-wide financial statements provide detailed information about the operations of HVTED as a whole. HVTED's only fund is the governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Additional auditor reports and schedules for HVTED are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of HVTED, total assets exceed total liabilities by \$426,994 at the close of the most recent calendar year.

As of December 31, 2016, HVTED is able to report positive balances in all categories of net position for the HVTED as a whole.

Government-wide Activities

The amount of Transient Room Tax dollars contributed to HVTED from Wasatch County increased by \$190,708 from 2015 to 2016. The amount received during 2016 was \$624,875.

Office improvements are depreciated over 10 years. Website improvements are being amortized over 5 years. Prepaid leases on vehicles used by HVTED are amortized over a five-year period. There were no changes in fixed assets during 2016.

See the following page for a summary Government-wide Statement of Net Position and Government-wide Statement of Activities.

Government -wide Statement of Net Position
December 31, 2016

			Increase / (Decrease)
	2016	2015	2015-2016
Assets			
Cash and cash Equivalents	\$ 384,391	\$ 307,285	\$ 77,106
Receivables	10,447	47,013	(36,566)
Prepaid Expenses	13,727	18,703	(4,976)
Depreciable Assets (Net)	27,442	33,631	(6,189)
Total Assets	<u>\$ 436,007</u>	<u>\$ 406,632</u>	<u>\$ 29,375</u>
Liabilities			
Accounts Payable	\$ 9,013	\$ 342	\$ 8,671
Total Liabilities	<u>\$ 9,013</u>	<u>\$ 342</u>	<u>\$ 8,671</u>
Net Position			
Net Investment in Capital Assets	\$ 27,442	\$ 33,631	\$ (6,189)
Unrestricted	399,552	372,659	26,893
Total Net Position	<u>\$ 426,994</u>	<u>\$ 406,290</u>	<u>\$ 20,704</u>

Government-wide Statement of Activities
For the year Ended December 31, 2016

	Governmental Activites 2016	Governmental Activites 2015	Increase / (Decrease)
			2015-2016
Program Revenues			
Charges for services	\$ 49,918	\$ 37,678	\$ 12,240
Grants and Contributions	837,623	741,569	96,054
General Revenues			
Other	173	211	(38)
Total Revenues	<u>887,714</u>	<u>779,458</u>	<u>108,256</u>
Expenses			
Tourism and Economic Development	867,010	777,263	(89,747)
Total Expenses	<u>867,010</u>	<u>777,263</u>	<u>(89,747)</u>
Change in Net Position	20,704	2,195	18,509
Net Position - beginning of year	406,290	404,095	2,195
Net Position - end of year	<u>\$ 426,994</u>	<u>\$ 406,290</u>	<u>\$ 20,704</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, HVTED uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

At the end of the year 2016, HVTED's governmental funds reported combined ending fund balances of \$399,552. The General Fund is HVTED's sole operating fund.

BUDGETARY HIGHLIGHTS

HVTED adopted a budget for the 2016 calendar year with budgeted revenues of \$878,654 and budgeted expenditures of \$877,024.

The budget comparison for the year ended December 31, 2016, shows the actual revenues exceeded budget amount by \$9,060. Actual charges to expenses were \$16,203 lower than the budget amount. The net difference between the budget and actual is \$25,263.

See the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - General Fund in the required supplementary information for further information regarding budgetary comparisons for the General Fund.

CAPITAL ASSETS

At the end of 2016, HVTED had net capital assets of \$27,442 consisting of leasehold improvements and website costs.

Capital Assets

	2016	2015
Leasehold Improvements	\$ 43,035	\$ 43,035
Website	9,430	9,430
Total Capital Assets	<u>52,465</u>	<u>52,465</u>
Accumulated Depreciation		
	<u>(25,023)</u>	<u>(18,834)</u>
Net Capital Assets	<u>27,442</u>	<u>33,631</u>

LONG-TERM DEBT

At the end of the current year, the HVTED had no short-term or long-term debt outstanding for governmental activities or for business type activities.

LOOKING FORWARD

HVTED will continue to operate from Transient Room Tax contributions as well as contributions from Wasatch County, Heber City, and Midway City. HVTED will continue seeking grants to supplement its budget and programs. With a significant unrestricted reserve account, HVTED will seek ways to expend a portion of the reserve account with the objective of driving more business and tourism to Wasatch County.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of HVTED's finances for all those with an interest in the HVTED's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 475 N. Main Street, Heber City, UT 84032.

BASIC FINANCIAL STATEMENTS

Heber Valley Tourism & Economic Development
Statement of Net Position
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 384,391
Receivables:	
Accounts Receivable	447
Note Receivable	10,000
Prepaid Expenses	13,727
Depreciable Assets (Net of Accumulated Depreciation)	27,442
Total Assets	<u>\$ 436,007</u>
 LIABILITIES	
Accounts Payable and Accrued Liabilities	<u>\$ 9,013</u>
 NET POSITION	
Net Investment in Capital Assets	27,442
Unrestricted	399,552
Total Net Position	<u>\$ 426,994</u>

See accompanying notes and accountant's report

**Heber Valley Tourism & Economic Development
Statement of Activities
For the Year Ended December 31, 2016**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues & Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental Activities:					
Community Development	<u>\$ 867,010</u>	<u>\$ 49,918</u>	<u>\$ 837,623</u>	<u>\$ -</u>	<u>\$ 20,531</u>
		General Revenues:			
		Interest Income			<u>173</u>
		Total General Revenues			<u>173</u>
		Change in Net Position			<u>20,704</u>
		Net Position - Beginning			<u>406,290</u>
		Net Position - Ending			<u><u>\$ 426,994</u></u>

See accompanying notes and accountant's report

**Heber Valley Tourism & Economic Development
Balance Sheet
Governmental Funds
December 31, 2016**

	Governmental Fund
ASSETS	
Cash and Cash Equivalents	\$ 384,391
Receivables (net):	
Accounts Receivable	447
Note Receivable	10,000
Prepaid Expenses	13,727
Total Assets	<u>\$ 408,565</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	\$ 8,796
Credit Card Liabilities	217
Total Liabilities	<u>9,013</u>
 Fund Balances:	
Non-Spendable Prepaid Items	13,727
Unassigned	385,825
Total Fund Balances	<u>399,552</u>
Total Liabilities and Fund Balances	<u>\$ 408,565</u>

See accompanying notes and accountant's report

**Heber Valley Tourism & Economic Development
Balance Sheet Reconciliation to
Statement of Net Position
December 31, 2016**

Total Governmental Funds Balances	\$ 399,552
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>27,442</u>
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Total Net Position of Governmental Activities	<u><u>\$ 426,994</u></u>
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See accompanying notes and accountant's report

Heber Valley Tourism & Economic Development
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	Governmental Fund
<hr/>	
REVENUES	
Grants	\$ 93,277
Interest Income	173
Membership Dues	75,000
Tax Advisory Board	30,000
T.R.T. Allocation	624,875
Chamber Membership	49,918
Other Income	14,471
Total Revenues	<u>887,714</u>
EXPENDITURES	
Current:	
Community Development:	
Marketing and Advertising	429,492
TAB Grants	30,000
Office Expense	36,718
Salaries, Wages and Benefits	364,611
Total Expenditures	<u>860,821</u>
Excess (Deficit) of Revenues Over (Under)	
Expenditures	26,893
Fund Balances - Beginning	<u>372,659</u>
Fund Balances - End	<u><u>\$ 399,552</u></u>

See accompanying notes and accountant's report

**Heber Valley Tourism & Economic Development
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended December 31, 2016**

Net Change in Fund Balances of Governmental Funds	\$ 26,893
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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 capital outlays exceeded depreciation in the current period.	<u>(6,189)</u>
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Change in net position of governmental activities	<u><u>\$ 20,704</u></u>
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See accompanying notes and accountant's report

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Reporting Entity

Heber Valley Tourism and Economic Development Agency (HVTED) was formed in July of 2012 as an inter-local entity established for the purpose of promoting tourism and fostering economic development in Heber City, Midway City, and Wasatch County.

HVTED operates under a Board of Directors form of government that consists of seven board members who each represent their respective organizations. The members are as follows:

1. Two members of the Wasatch County Council appointed by the Wasatch County Council. The reason for two members is to ensure that tourism AND economic development are emphasized by the Board.
2. One member of the Midway City Council appointed by the Mayor who is advised by the Midway City Council.
3. One member of the Heber City Council appointed by the Mayor who is advised by the Heber City Council.
4. One member of the Wasatch County Tourism Tax Advisory Board appointed by the Tourism Tax Advisory Board.
5. One member of the Heber Valley Chamber of Commerce Board of Directors appointed by the Heber Valley Chamber of Commerce Board of Directors.
6. One at-large member appointed by the majority vote of the other Board Members.

Component Unit

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units as described in GASB Statement 61 and has found that HVTED should be included as a component unit of Wasatch County. It is included as a discrete component unit in the financial statements of Wasatch County.

Basic Financial Statements

HVTED's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and the fund financial statements, which provide a more detailed level of financial information.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

Basic Financial Statements (Continued)

Statement of Net Position - The statement of net position and the statement of activities display information about HVTED as a whole. These statements include the financial activities of the primary government. The statements report all activities that took place during the year; the only activities that were performed are governmental activities. The statement of net position presents the financial condition of the governmental-type activities of HVTED at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of HVTED's governmental activities for HVTED. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges to customers or applicants who purchase, use, attend, or benefit from goods or services provided by a given program, or by grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Interest income and revenues which are not classified as program revenues are presented as general revenues of HVTED, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental program is self-financing.

Fund Financial Statements

During the year, HVTED maintains transactions related to certain functions or activities in a fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of HVTED at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting

HVTED uses the government fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

The following fund types are used by HVTED:

Governmental Funds:

HVTED only has one fund, which accounts for all the activity of HVTED. The entity-wide financial statements provide detailed information about the operations of HVTED as a whole. HVTED's only fund is operated as a governmental fund; it accounts for all of the revenue and expenditures for the year.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Assets, Liabilities and Equity

Deposits and Investments

HVTED defines cash and cash equivalents as all deposits in its checking and savings accounts and all highly liquid debt instruments purchased with a maturity of three months or less.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

Restricted Assets

Certain resources set aside as reserves in accordance with state statutes, grant requirements, or debt covenants are classified as restricted assets because their use is limited.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Also included in prepaid items are the prepaid leases of a Ford Taurus and a Jeep Cherokee that are owned by Wasatch County and are being amortized over 5 years.

Capital Assets

Capital assets, which include improvements to the leased property are reported in the applicable governmental activities columns in the government-wide financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight line method. Estimated useful lives are as follows:

	<u>Years</u>
Leasehold Improvements:	10

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

It is HVTED’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Statements

HVTED has adopted GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance – Fund balances are reported as committed when the Board formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the Board of Directors likewise formally changes the use.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

- d. Assigned fund balance – Fund balances are reported as assigned when the Board of Directors or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, or assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, HVTED considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, HVTED considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

Revenues and Expenditures

Related Party Revenues

HVTED receives a majority of its revenues from Wasatch County. They are contracted to receive \$25,000 a year from Wasatch County, Heber City, and Midway City. Also received from the county are allocations from transient room taxes. The County is not contractually obligated to pay this money. For the year 2016, HVTED received \$624,875 in transient room tax. Other funds it received from the county include \$30,000 for Tax Advisory Board allocations and \$15,000 for various events and marketing in Wasatch County.

Operating Revenues and Expenses

Operating revenues and expenses in the governmental fund consist of those revenues that result from the ongoing principal operations of HVTED. Operating revenues consist of amounts collected for weekly luncheons for the chamber of commerce and conference sponsorships.

Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary activities.

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 - (CONTINUED)

Budgeting

HVTED's governing board adopts a budget for each calendar year prior to the beginning of the year. These budgets are amended during the year, as the Board deems necessary, to accommodate current operations and are accepted by official vote of the Board. During 2016 the original budget was amended one time for the final budget during the December 19, 2016 board meeting.

Risk Management

HVTED carries no insurance as all significant assets that are used by HVTED are owned by Wasatch County. The county is responsible for maintaining adequate coverage for those assets. The assets referred to are the building and vehicles that are used by HVTED.

Net Position

Net position represents the difference between assets and liabilities. *Net position invested in capital assets* consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by HVTED or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. HVTED first utilizes restricted resources to finance qualifying activities.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

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

HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 2 - (CONTINUED)

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, HVTED’s deposits may not be returned to it. HVTED policy for managing custodial risk is to adhere to the Money Management Act. As of December 31, 2016, HVTED’s bank balances were \$410,191, of which \$160,191 was uninsured or uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for HVTED 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.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. HVTED manages its exposure to declines in fair value by investing mainly in conservative money market accounts and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

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

NOTE 3 – ECONOMIC DEPENDENCY

HVTED is economically dependent on the funds received from Wasatch County in the form of membership dues, transient room taxes and other miscellaneous contributions. It received seventy five (75) percent of its operating revenues from the County in 2016.

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HEBER VALLEY TOURISM & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets to the governmental activities follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Leasehold improvements	\$ 43,035	\$ -	\$ -	\$ 43,035
Website Improvements	9,430	-	-	9,430
Total capital assets being depreciated	52,465	-	-	52,465
Less Accumulated depreciation:				
Leasehold Improvements	(11,622)	(4,303)	-	(15,925)
Website Amortization	(7,212)	(1,886)	-	(9,098)
Total Accumulated depreciation	(18,834)	(6,189)	-	(25,023)
Net Depreciable assets	33,631	(6,189)	-	27,442
Capital assets Net	\$ 33,631	\$ (6,189)	\$ -	\$ 27,442

NOTE 5 – RELATED PARTY TRANSACTIONS

As explained in Note 3 under revenue, Wasatch County provides the majority of HVTED's funding in the form of transient room taxes, membership dues and other miscellaneous transactions. In addition to receiving a majority of revenue from the County, HVTED's personnel are considered employees of Wasatch County. The county is reimbursed by HVTED for salaries, wages, health insurance premiums, employee benefits and other miscellaneous reimbursements. The amount reimbursed to the County during 2016 was \$316,063.

HVTED also received \$30,000 in allocated tax revenues from the Wasatch County Tax Advisory Board (TAB) in order to promote local events. All of the funds were used prior to the year ended 2016. The executive director is a member of the TAB.

NOTE 6 – NOTE RECEIVABLE

During 2012 HVTED loaned \$25,000 to the Heber Valley Historic Railroad for operating capital at a 0% interest rate. HVTED and Heber Valley Historic Railroad have come to agreement that the amount should be traded for an equivalent amount of event tickets for promotion opportunities. The amount to be exchanged is \$5,000 during the years 2015, 2016, 2017, and 2018. The remaining balance as of December 31, 2016, is \$10,000.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, subsequent events have been evaluated through June 30, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Heber Valley Tourism & Economic Development
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Grants	\$ 80,677	\$ 80,677	\$ 93,277	\$ 12,600
Interest Income	-	-	173	173
Membership Dues	80,000	80,000	75,000	(5,000)
Tax Advisory Board	30,000	30,000	30,000	-
T.R.T. Allocation	558,000	488,000	624,875	136,875
Chamber Membership	41,500	40,506	49,918	9,412
Other Income	2,500	159,471	14,471	(145,000)
Total Revenues	<u>792,677</u>	<u>878,654</u>	<u>887,714</u>	<u>9,060</u>
EXPENDITURES				
Current:				
Community Development:				
Marketing and Advertising	363,224	447,724	429,492	18,232
TAB Expenditures	30,000	30,000	30,000	-
Office Expense	33,300	33,300	36,718	(3,418)
Salaries, Wages and Benefits	366,000	366,000	364,611	1,389
Total Expenditures	<u>792,524</u>	<u>877,024</u>	<u>860,821</u>	<u>16,203</u>
Excess/(Deficit) of Revenues				
Over/(Under) Expenditures	153	1,630	26,893	25,263
Fund Balances - Beginning	<u>372,659</u>	<u>372,659</u>	<u>372,659</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 372,812</u>	<u>\$ 374,289</u>	<u>\$ 399,552</u>	<u>\$ 25,263</u>

See Accountant's Report



GILBERT & STEWART

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A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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SIDNEY S. GILBERT, CPA
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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*

Honorable Governing Board Members
Heber Valley Tourism and Economic Development
Heber City, Utah

June 30, 2017

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 of Heber Valley Tourism and Economic Development (HVTED), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise HVTED's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HVTED'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 HVTED's internal control. Accordingly, we do not express an opinion on the effectiveness of HVTED'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HVTED'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*.

HVTED Response to Findings

HVTED's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HVTED'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.

Gilbert & Stewart

Gilbert & Stewart
Certified Public Accountants



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

Honorable Board of Directors
Heber Valley Tourism & Economic Development
Heber Valley, UT

June 30, 2017

Report On Compliance with General State Compliance Requirements

We have audited Heber Valley Tourism and Economic Development's (HVTED) 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 HVTED for the year ended December 31, 2016.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open & Public Meetings Act
- Treasurer's Bond
- Cash Management

Management 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 HVTED'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 compliance requirements referred to above that could have a direct and material effect on HVTED occurred. An audit includes examining, on a test basis, evidence about HVTED'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 HVTED's compliance.

Opinion on General State Compliance Requirements

In our opinion, Heber Valley Tourism & Economic Development complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter titled Communication with Those Charged with Governance dated June 30, 2017, as items 2016-1 through 2016-3. Our opinion on compliance is not modified with respect to these matters.

HVTED's response to the noncompliance findings identified in our audit is described in the letter titled Communication with Those Charged with Governance. HVTED's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of HVTED 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 HVTED's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 HVTED'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. 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.

Gilbert & Stewart

Gilbert & Stewart
Certified Public Accountants