



TINA M. CANNON
UTAH STATE AUDITOR

Report No. SSD325SP

November 11, 2025

Sanpete County Commissioners
Sanpete County Federal Mineral Lease Special Service District Chairman
160 N. Main Street
Manti, UT 84642

Dear Commissioners and Chairman:

The Office of the Utah State Auditor (Office) offers a hotline program through which we receive complaints with financial or compliance implications related to state or local governments. The Office received a complaint alleging various financial and procedural irregularities with the Sanpete County Federal Mineral Lease Special Service District (SSD) including:

- That the Sanpete County Commission's (Commission) November 2023 resolution did not authorize the SSD to transfer funds to Sanpete County SSD#1 (SSD#1) for road construction; and
- That the Commission did not follow procedural requirements of *Utah Code* §17D-1 in its April 2024 amendment to the SSD resolution.

To determine the credibility of these complaints, we reviewed bank statements (2022–2024), a sample of cash disbursements, SSD resolutions and bylaws, and minutes of several meetings held by the Commission and the SSD from January 2023 to April 2025. We also analyzed the SSD's compliance with reporting expenditures to the Utah Public Finance Website (Transparent Utah) in accordance with *Utah Code* §67-3-12.

With limited exceptions, public entity financial transactions and information should be accessible to the public with minimal roadblocks. Public entities should provide their governing bodies even greater access to financial information (bank statements, accounting records, supporting documentation, etc.) to facilitate proper oversight and good governance.

During the course of the review, we spoke with various county personnel. We attempted to obtain additional information from the Sanpete County Attorney for over four months but never received a substantive response. Therefore, Finding 1 is based upon our interpretation of the available records and does not reflect input from the Sanpete County Attorney.

This letter communicates the resulting findings and recommendations to the Commission. Our procedures were limited to matters related to the complaint. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

Background

The federal government provides payments in lieu of taxes (PILT) to local governments to offset the loss of property tax revenue for federally owned lands. The federal government also pays a share of the revenue from mineral production on federal lands to local governments. Since federal funds are reduced if the same entity receives both PILT and federal mineral lease revenue, counties often create semi-independent special service districts to receive federal mineral lease revenue. The creation and operation of special service districts in Utah is governed by *Utah Code* §17D-1-201(14).

For the above-mentioned reason, the Federal Mineral Lease Special Service District (SSD) was created by the Commission on May 5, 2009. The resolution creating the SSD indicated the revenue would be used to, "...provide construction and maintenance of public facilities, traditional governmental services, and planning, as a means for mitigating impacts from extractive mineral industries."

The Office issued an Auditor Alert in 2016¹ related to this topic. As indicated in the Auditor Alert, it is preferable that no member of a county commission serve on the board of a special service district receiving federal mineral lease revenue to maintain political independence from the county that created it. Sanpete County has chosen to have one county commissioner serve on the board of the Federal Mineral Lease Special Service District (SSD), which could be perceived to erode the independence of the SSD, potentially risking a reduction in federal funds. While not a violation of statute, the County should work with legal counsel to evaluate this risk and consider having someone other than a county commissioner serve on the board of the SSD.

Finding 1. Change to District Resolution in 2024 Did Not Meet Statutory Requirements

For some time, the SSD has transferred funds to SSD#1 for road construction and maintenance. In 2024, County leaders realized that the resolution in effect at the time did not authorize this transfer to SSD #1. Therefore, an amendment was presented to the Commission on April 2, 2024 that added, "only the funds from the Skyline Coal Mine are kept in the Federal Mineral Lease Special Service District [*sic*] all other Federal Lease monies are distributed to the Sanpete County Special Services District 1."

¹ See Auditor Alert 2016-04 and the corresponding Attachment A: Ballard Spahr Legal Opinion – Mineral Lease. These documents can be found at <https://auditor.utah.gov/local-government/explanations-checklists-and-templates/forms-manuals-guides/>

Utah Code § 17D-1-401 allows a county to add a service to a special service district. However, the Code requires the same notice, protest, and public hearing provisions over the process as if the addition were the creation of a new special service district.

We found no evidence that the Commission followed requirements of *Utah Code* § 17D-1 in the approval of the April 2, 2024 amended resolution, including its apparent failure to do each of the following:

- Provide written notice to the public of the proposed change (see *Utah Code* § 17D-1-204(1) and *Utah Code* § 17D-1-205);
- Allow time to receive protests related to the proposed change (see *Utah Code* § 17D-1-206); and
- Hold a hearing to receive public comment (see *Utah Code* § 17D-1-204(2) and *Utah Code* § 17D-1-207).

The April 2024 amended resolution refers to a public hearing that “shall be held” on May 16, 2023. The amendment’s command that the hearing “shall” happen a year before the amendment indicates that the County simply edited a previous resolution to allow for sending funds to SSD#1 but did not change any other information, dates, or even the resolution number. Further, we noted no indication that public notice was given or that a public hearing was held regarding this matter prior to April 2, 2024.

As indicated above, we reached out to the County Attorney for over four months in an attempt to understand the process that was followed and obtain additional supporting documentation. We did not receive a substantive response.

If the County did not follow the statutory requirements for adding a service to the existing SSD, the use of funds for that purpose is not authorized and could put the County at risk for losing federal mineral lease funds.

Recommendation:

We recommend that Sanpete County cease use of funds for road construction and maintenance until or unless the resolution is amended to authorize such use in accordance with the requirements of *Utah Code* §17D-1. We also recommend that the County consult with the County Attorney to assess the County’s statutory compliance and potential legal exposure.

Finding 2. District Has Not Reported All Activity to the Utah Public Finance Website

Utah Code §67-3-12(5) requires most government entities, including the SSD, to post their financial information to a publicly accessible website (aka Transparent Utah) in accordance with rules established by the Office. We noted that the SSD underreported expenditures in FY22 and did not report any expenditures in FY23. The unreported amounts were:

- FY22 – approximately \$140,000
- FY23 – \$856,214.45

It appears that all of the FY23 expenditures were actually paid in FY24; however, they still constituted an expense to the SSD and were reported as expenses and payables in the FY23 financial statements. For FY22, it was unclear to us why the expenditures were not reported. However, we do not believe these expenditures related to either FY21 or FY23, and therefore, should have been reported in FY22.

Recommendation:

We recommend that the SSD comply with *Utah Code §67-3-12* and accurately report all financial activity to Transparent Utah for the year to which the activity pertains.

We appreciate the courtesy and assistance extended to us by the County Auditor during our review. We look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Tina M. Cannon
Utah State Auditor

cc: Brian Nielsen, Federal Mineral Lease Special Service District, Vice Chairman
Stacey Lyon, Sanpete County Auditor
Kevin Daniels, Sanpete County Attorney

**Sanpete County Courthouse
160 North Main
Manti, Utah 84642**

Assessor: Keith Larsen
Attorney: Kevin Daniels
Auditor: Stacey Lyon
Clerk: Linda Christiansen
Recorder: Talisha Johnson
Sheriff: Jared Buchanan
Treasurer: Amy Willden

Commissioners: Scott Bartholomew (Chair), Mike Bennett, Jim Cheney

To whom it may concern:

This letter is in response to Report No. SSD325SP issued by Utah State Auditor Tina M. Cannon. After reviewing the draft report and after consulting with each of the appropriate entities and individuals, it is Sanpete County's intention to adopt the recommendations contained in the audit.

With respect to Finding 1, Sanpete County will cease use of funds for road construction and maintenance until the relevant resolution(s) is amended to authorize such use in accordance with the requirements of Utah Code Ann. § 17-1. Additionally, compliance with all other implicated statutes and rules is guaranteed..

With respect to Finding 2, it is my understanding that most of the issues raised have been ameliorated. In the event there are outstanding recommendations, those too will be satisfied. In essence, compliance with Utah Code Ann. § 67-3-12 is promised.

Should there be any additional questions and concerns, please feel free to reach out to any of the Sanpete County Commissioners, the County Attorney, or the Sanpete County Auditor. Additionally, the County will keep the Utah State Auditor's office apprised of the adoption of recommendations as they occur. The County expects to move quickly in its efforts to comply with the recommendations of the audit.

Best Regards,



Kevin Daniels