

**MAGNA WATER DISTRICT**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**MAGNA WATER DISTRICT  
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor’s Report .....	1
Management Discussion and Analysis .....	3
Financial Statements:	
Statement of Net Position .....	8
Statement of Revenues, Expenses, and Changes in Net Position .....	10
Statement of Cash Flows .....	11
Notes to Financial Statements .....	13
Required Supplemental Information:	
Schedules of Changes in Net Pension Liability and Related Ratios.....	30
Statement of Required Employer Contribution .....	31
Notes to the Required Supplemental Information .....	31
Other Supplemental Information:	
Schedule of Revenues, Expenses, and Changes in Net Position .....	32
Schedule of Revenues, Expenses, and Changes in Net Position – Compared to Budget .....	34

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Magna Water District  
Magna, Utah

### **Report on Financial Statements**

We have audited the accompanying financial statements of Magna Water District (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District'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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Magna Water District, as of December 31, 2019, and the respective change 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 certain disclosures relating to pensions as listed in the table of contents as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2020 on our consideration of the District'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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Keddington & Christensen, LLC*

Keddington & Christensen, LLC  
Salt Lake City, Utah  
September 9, 2020

## MAGNA WATER DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As management of Magna Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019.

### Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$71,504,792 (net position). Of this amount, \$15,254,374 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net position increased by \$3,242,783. This increase is reflective of the District's upgrading, replacing, and adding infrastructure to the District's facilities to satisfy demand prompted by the areas growth and to upgrade treatment technology. The capital assets increased by \$16 million, 25.95% from 2018, totaling approximately \$77.4 million.

The District's operating revenue increased by \$160,085 a 2% increase. In January of 2019 there was an increase in the base rate user fee for culinary water service of approximately 3%, an 8% increase in the base rate user fee for sewer services, and a 4% increase in the base rate user fee for secondary water service. Operating revenue did not increase respective to the rate increases because there has been existing connections that have moved from culinary water to secondary water, which is a less expensive alternative to the user. By doing so lowers the District's revenue but also delays additional infrastructure having to be built by the District. The District has and is experiencing a high volume of growth each year.

Part of the increase in the net position is due from the non-operating revenue, which totals approximately \$4.7 million in 2019, an increase of 10.9% from 2018. The operating expenses increased by 7% from 2018. Expenses were maintained due to the District's proactive measures for maintenance rather than reactive, which is typically less expensive. Management and Staff of the District are mindful of maintaining costs and make every effort to control costs when possible.

The District's total long-term debt increased by \$7,147,029 during the current fiscal year, as represented in Note 4 to the financial statements. The increase is primarily a result of the District issuing the remaining debt of \$8,025,000 allowed by the bond election held in 2017. An increase of approximately 29.8% of the OPEB obligation also contributes to the increase in the long-term debt for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement, may result in cash flows in future fiscal periods (e.g., uncollected taxes earned and not received and unused sick leave for employees).

The District maintains one type of proprietary fund, an enterprise fund. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**MAGNA WATER DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget and actual amounts.

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 the District, assets exceeded liabilities by \$71,504,792 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (63%) reflects its investment in capital assets (e.g., land, buildings, pipelines, machinery, and equipment); net of any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 33,869,559	\$ 37,493,667
Capital assets	<u>77,442,684</u>	<u>61,485,744</u>
Total Assets	<u>111,312,243</u>	<u>98,979,411</u>
Deferred outflow of resources	<u>527,890</u>	<u>363,656</u>
Long-term liabilities outstanding	36,228,291	27,870,715
Other liabilities	<u>3,968,140</u>	<u>3,210,343</u>
Total Liabilities	<u>40,196,431</u>	<u>31,081,058</u>
Deferred inflow of resources	<u>138,910</u>	<u>-</u>
Net investment in capital assets	51,255,702	48,641,094
Restricted	4,994,716	5,846,481
Unrestricted	<u>15,254,374</u>	<u>13,774,434</u>
Total Net Position	<u>\$ 71,504,792</u>	<u>\$ 68,262,009</u>

The restricted portion of the District's net position (\$4,994,716) represents resources that are subject to external restrictions on how they may be used. There is an unrestricted fund balance amount of \$15,254,374.

There was a decrease of \$851,765 in restricted net position reported by the District. This resulted primarily from the use of impact fees on hand for an approved facility project in the amount of \$1,375,546. Impact fees are restricted by Utah Code and can only be spent on projects outlined in the District's Impact Fee Facility Plan.

The District's net position increased by \$3,242,783 during the current fiscal year, as the District's operating and nonoperating revenues exceeded all expenses for the year. As noted earlier, factors contributing to the increase in net position include investment in capital assets, increase in operating revenues and impact fees collected by new subdivisions, and contributed water and sewer lines by contractors.

MAGNA WATER DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

	2019	2018
Operating revenues	\$ 8,180,356	\$ 8,020,271
Non-operating revenues	5,632,893	4,963,369
Total Revenues	13,813,249	12,983,640
Depreciation and amortization expense	3,133,595	3,094,816
Other operating expenses	6,808,535	6,194,145
Non-operating expenses	848,242	650,099
Total Expenses	10,790,372	9,939,060
Income before capital contributions	3,022,877	3,044,580
Capital contributions	219,906	453,401
Change in Net Position	3,242,783	3,497,981
Total Net Position, Beginning of Year	68,262,009	64,764,028
Total Net Position, End of Year	\$ 71,504,792	\$ 68,262,009

Major sources of revenue for the District consist of charges for services, property taxes, impact fees collected from new subdivisions, and other non-operating revenues. These sources account for approximately 98% of the Districts revenues before capital contributions.

Total operating revenues increased by approximately 6.4% from the prior year, while total expenses also increased by approximately 8.6%, leading to an increase in income before capital contributions as compared to the previous year. The capital contributions decreased as compared to 2018 due to a decrease of development accepted and closed out. While there is substantial growth within the District occurring, the District does not recognize the developments until the projects are complete and final, therefore, depending on the status of the project the District may show the actual growth 2 – 3 years after which the development is complete. The increase in operating revenue is primarily due to an adopted rate increase. The increase in expenses is primarily due to the increase in the operational repairs and maintenance expenses. Management of the District is focused on a proactive repair and replacement program versus a reactive program, including replacement of valves, meters, and pipelines. This would be implementing a scheduled repair and replacement of facilities on a timely basis and not on a “when it breaks” approach. Usually this type of program will save the District money in further years down the road. An increase in depreciation, and various other miscellaneous operational expenses also contributed to the increase in expenses.

Capital Asset and Debt Administration

**Capital Assets.** The District’s investment in capital assets as of December 31, 2019 amounts to \$77,442,684 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, wells and springs, supply and transmission mains for water distribution and sewer collection, construction in progress, plant and sewer systems, and machinery and equipment. The total increase in the District’s investment in capital assets for the current fiscal year was approximately 26%.

**MAGNA WATER DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

	<u>2019</u>	<u>2018</u>
Land	\$ 2,741,244	\$ 1,854,730
Buildings and improvements	4,046,861	4,046,861
Water system	53,835,509	50,032,317
Secondary system	7,633,038	6,420,054
Sewer treatment plant	24,789,825	24,789,825
Sewage collection lines	9,627,884	9,581,904
Machinery and equipment	2,939,566	2,711,111
Water rights and easements	678,592	640,102
Construction in progress	<u>22,054,489</u>	<u>9,204,899</u>
Total Capital Assets	128,347,008	█ 109,281,803
Less accumulated depreciation	<u>(50,904,324)</u>	<u>(47,796,059)</u>
Total Capital Assets, net of depreciation	<u>\$ 77,442,684</u>	<u>\$ 61,485,744</u>

Additional information on the District's capital assets can be found in Note 3 to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$36,228,291. Of this amount, \$5,075,000 is outstanding as revenue bond debt, \$1,357,905 relates to amounts outstanding on a water resource loan and a note payable to a developer, \$27,849,950 is outstanding as general obligation bond debt, and \$215,430 relates to amounts outstanding on capital leases. Pursuant to a new GASB Ruling, the District also now recognizes a long-term debt for OPEB Obligations in the amount of \$1,481,090, and a debt for pension liability in the amount of \$248,916.

	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 27,849,950	\$ 20,248,400
Revenue bonds	5,075,000	5,291,000
Water resource loan	1,357,905	496,695
Capital lease	215,430	282,281
Net OPEB obligations	1,481,090	1,140,565
Net Pension Liability	<u>248,916</u>	<u>411,774</u>
Total	<u>\$ 36,228,291</u>	█ <u>\$ 27,870,715</u>

Additional information of the District's long-term debt can be found in Note 4 to the financial statements.

**Reserve Funds**

The District held \$591,230 in reserve and replacement funds at the end of the current fiscal year, which are mandated by the District's revenue bonds.

**Reserve and Fee Structure**

In 2012, the District began to update its Impact Fee Facilities Plan (the Plan) to evaluate the capital facility and revenue needs of the water, sewer, and secondary systems in order to continue to service the District's growth. The Plan looks at the condition of the District through the projected year of 2030. The District adopted the Impact Fee Facility Plan, an Impact Fee Analysis, and an Impact Fee Enactment in September of 2013. The enactment adopted increased the impact fee for the water, sewer, and secondary water system. The District evaluated the revenue requirements of the District and subsequently adopted a rate increase effective January 1, 2014. The rates are planned to increase in small increments through 2019.



MAGNA WATER DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

**Planned Future Capital Improvements**

The District has many construction plans for their facilities within the next few years. The District is near to completion of the construction of a brine line to transfer waste brine from the water treatment facility directly to the Wastewater Treatment Plant effluent. Part of the project includes construction of a brine pump and maintenance facility for the brine line. The project costs to date is \$5.3 million. In 2019 installation of a new aeration treatment technology project began at the District's wastewater treatment facility to assist in complying with new federal mandates on certain contaminants in the effluent water, along with a new chemical building and a laboratory. To-date the project costs are \$15.1 million.

The District plans to construct a second secondary water reservoir to serve the District's large water users located in Zone 2 area secondary water. The District is planning on constructing a secondary water line on 4100 S to service a planned park in a new development. The District is still in the process of seeking funding to extend the secondary system, in addition to that, the District established a subsidy fee that is charged to each culinary water customer that will be collected and set aside for the secondary water system expansion. In 2019 the Board of Trustees made the decision to cease charging this subsidy fee. The District will no longer be collecting this fee beginning 01/01/2019. The District is studying and will be implementing a water re-use project in order to supply the secondary water system with the wastewater effluent water in the near future.

Several existing culinary and collection pipelines, old and in need of upsizing and repairs are being replaced with new piping and upgraded.

Each year, including the past couple of years the District is maintaining and lining the manholes to restore and increase the life of the manhole which is a preventative maintenance measure.

As always, the Board of Trustees, the Management Team, and Staff do their best to satisfy our customers and to improve our system. The District follows a master plan that is reviewed each year. The District is in the process of updating the master plan and reviewing the financial needs of the District further into the future. The final plan is nearly complete and will be adopted in 2020.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Magna Water District, Attention: District Manager, PO Box 303, Magna, Utah 84044.

## **BASIC FINANCIAL STATEMENTS**

**MAGNA WATER DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

**Assets**

**Current Assets:**

Cash and cash equivalents	\$ 18,316,933
Receivables:	
Property tax	73,361
Customers, net	750,961
Other	192,869
Prepaid expenses	55,719
Inventories	<u>325,326</u>
<b>Total Current Assets</b>	<u>19,715,169</u>

**Noncurrent Assets:**

Restricted cash and cash equivalents	14,136,140
Capital Assets:	
Capital assets not being depreciated	25,474,325
Capital assets being depreciated, net of accumulated depreciation	<u>51,968,359</u>
Total Capital Assets, net of accumulated depreciation	<u>77,442,684</u>
Water rights and shares held for sale	<u>18,250</u>
<b>Total Noncurrent Assets</b>	<u>91,597,074</u>
<b>Total Assets</b>	<u><u>111,312,243</u></u>

**Deferred Outflow of Resources**

Assumption changes related to Pensions	<u>527,890</u>
<b>Total Deferred Outflow of Resources</b>	<u><u>\$ 527,890</u></u>

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

**MAGNA WATER DISTRICT  
STATEMENT OF NET POSITION (Continued)  
DECEMBER 31, 2019**

**Liabilities**

**Current Liabilities:**

Accounts payable	\$ 2,317,371
Accrued liabilities	416,341
Compensated absences	70,558
Retainage payable	830,121
Deferred revenue	195,453
Accrued Interest payable	138,296
Capital lease obligations - current	69,272
General obligation bonds payable - current	1,350,000
Revenue bonds payable - current	219,000
Notes payable - current	958,560

<b>Total Current Liabilities</b>	<b>6,564,972</b>
----------------------------------	------------------

**Noncurrent Liabilities:**

Net other postemployment benefits obligation	1,481,090
Capital lease obligations	146,158
General obligation bonds payable	26,499,950
Revenue bonds payable	4,856,000
Notes payable	399,345
Net Pension Liability	248,916

<b>Total Noncurrent Liabilities</b>	<b>33,631,459</b>
-------------------------------------	-------------------

<b>Total Liabilities</b>	<b>40,196,431</b>
--------------------------	-------------------

**Deferred Inflow of Resources**

Changes to earnings on pension plan investments	138,910
---	---------

<b>Total Deferred Inflow of Resources</b>	<b>138,910</b>
---	----------------

**Net Position**

Net investment in capital assets	51,255,702
Restricted:	
Debt service	950,521
Capital projects	4,044,195
Unrestricted	15,254,374

<b>Total Net Position</b>	<b>\$ 71,504,792</b>
---------------------------	----------------------

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

**MAGNA WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Operating Revenues:</b>	
Water sales	\$ 3,979,933
Sewer service charges	3,645,110
Connection fees and other income	<u>555,313</u>
<b>Total Operating Revenues</b>	<u>8,180,356</u>
<b>Operating Expenses:</b>	
Salaries and benefits	3,063,039
Contractual services	658,099
Materials and supplies	1,519,331
Utilities	668,120
Depreciation and amortization	3,133,595
Lease expense	34,359
Other operating expenses	<u>865,587</u>
<b>Total Operating Expenses</b>	<u>9,942,130</u>
<b>Operating Income (Loss)</b>	<u>(1,761,774)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Property tax revenue	3,585,116
Non-resident fee in lieu of property tax	53,707
Impact fees	888,964
Gain (loss) on sale of assets	80,184
Other non-operating income	167,112
Intergovernmental revenue	-
Interest income	857,810
Interest expense	(677,055)
Debt issuance costs	<u>(171,187)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,784,651</u>
<b>Income Before Capital Contributions</b>	<u>3,022,877</u>
<b>Capital Contributions</b>	<u>219,906</u>
<b>Change In Net Position</b>	3,242,783
<b>Total Net Position, Beginning of Year as restated</b>	<u>68,262,009</u>
<b>Total Net Position, End of Year</b>	<u><u>\$ 71,504,792</u></u>

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

**MAGNA WATER DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 8,212,917
Payments to suppliers	(2,909,599)
Payments to employees	<u>(2,789,351)</u>
<b>Net Cash From Operating Activities</b>	<u>2,513,967</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Payments to the Nonunion pension	
Property tax collected for maintenance and operations	<u>1,788,351</u>
<b>Net Cash From Noncapital Financing Activities</b>	<u>1,788,351</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Receipts from impact fees	888,964
Property tax collected for debt service	1,795,803
Fee in lieu of property tax	53,707
Receipts of non-operating revenues	167,112
Proceeds from capital debt	8,727,700
Principal paid on capital debt	(1,319,433)
Principal paid on capital lease	(66,851)
Interest paid on capital debt	(750,806)
Payment of debt issuance costs	(171,187)
Purchases and construction of capital assets	(18,046,910)
Proceeds from sale of capital assets	<u>82,800</u>
<b>Net Cash From Capital and Related Financing Activities</b>	<u>(8,639,101)</u>
<b>Cash Flows From Investing Activities</b>	
Interest income	857,810
Proceeds from sale of water rights and shares	<u>43,172</u>
<b>Net Cash From Investing Activities</b>	<u>900,982</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,435,801)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>35,888,874</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 32,453,073</u>

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

**MAGNA WATER DISTRICT  
STATEMENT OF CASH FLOWS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Reconciliation of Operating Income to Net Cash From Operating Activities:**

Operating Income (Loss)	\$ (1,761,774)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	3,133,595
Non cash expenses related to OPEB	69,376
Changes in operating assets and liabilities:	
(Increase) Decrease in Current Assets :	
Receivables	190,251
Prepaid expenses	(32,648)
Inventories	9,632
Increase (Decrease) in Current Liabilities and Other Operating effects:	
Accounts payable	329,379
Accrued liabilities	44,928
Compensated absences	7,041
Retainage payable	529,534
Deferred revenue	(157,690)
Deferred outflows	(164,234)
Deferred inflows	138,910
Net pension liability	(162,858)
Net other postemployment benefits obligation	340,525
<b>Net Cash From Operating Activities</b>	<b><u>\$ 2,513,967</u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>	<b><u>\$ -</u></b>

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

## MAGNA WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF ACCOUNTING POLICIES

#### Reporting Entity

Magna Water District, Utah (the District) is a local district governed by an elected three member board. Generally accepted accounting principles require that these financial statements present the government and its component units, entities for the government is considered to be financially accountable. The District was created July 7, 1949 by a resolution of the Board of County Commissioners of Salt Lake County. Salt Lake County has no oversight responsibility over the District and the District is not reported as a component unit of Salt Lake County. The District has no blended or discretely presented component units.

#### Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is 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 the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and sewer services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting to the budget is the same basis as the financial statements.

A formal budget has been adopted and used as a control device during the year ended December 31, 2019.

The District follows the following procedures in its budgetary process:

1. During November of each year the District adopts a tentative annual budget for the upcoming calendar year.
2. The tentative budget is a public record and is available for the public inspection.
3. At least ten (10) days prior to the second Thursday in December of each year, the District publishes a notice of public hearing for the purpose of adopting a budget on the District's website and on the State's public notice website [publicnotice.utah.gov](http://publicnotice.utah.gov).
4. On the second Thursday in December, the budget is formally adopted after consideration of public comment.

No budget is required to be presented with these financial statements. State law allows the District to amend the proprietary fund budget without public hearing or public notice.



**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)**

Statement of Cash Flows

The District considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents”. All restricted and non-restricted cash amounts are considered to be cash and cash equivalents for statement of cash flow purposes.

Allowance for Doubtful Accounts

Accounts receivable are stated net of allowance for doubtful accounts of \$2,075. The allowance for doubtful accounts is based on the District’s prior collection experience.

Inventories

The District maintains inventories of pipe, repair parts, hydrants, and water meters. Inventories are stated at the lower of cost or market using the first in/first out (FIFO) method.

Property and Equipment

Property and equipment include land, buildings and improvements, water and sewer systems, water shares, and machinery and equipment. Property and equipment are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized during the current year.

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

Water utility plant	20 to 50 years
Sewer utility plant	30 to 50 years
Buildings and structures	30 to 40 years
Equipment	3 to 15 years
Furniture and fixtures	5 to 10 years

Employee Benefits and Compensated Absences

The District provides pension, medical, dental, vision, and life insurance to its employees, most of which are negotiated by contract with the Teamsters Union. Employees are also provided paid holidays and vacation pay, which does not accumulate from year to year, but a maximum of 80 hours can be cashed out at the end of each year. Sick leave accumulates at a rate of two hours per pay period, can be carried over from year to year without limitation, and is paid out in full upon termination of employment to the extent that an employee is not terminated for cause.

Property Tax Revenues

Property taxes are assessed and become a lien against the property on January 1<sup>st</sup>. Property taxes become delinquent after November 30<sup>th</sup>. The District’s tax rate for 2019 was 0.002060 which is comprised of 0.000800 for operations and maintenance, and 0.001260 for debt service. The statutory maximum set by the state for operations and maintenance is 0.000800. There is no statutory maximum for the reduction of general obligation bonds.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Following are the components of the District’s cash and investments at December 31, 2019:

Cash and cash equivalents	\$ 18,316,933
Restricted cash and cash equivalents	<u>14,136,140</u>
	<u>\$ 32,453,073</u>

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) (the Act) in handling its depository and temporary investment transactions. This law requires the deposit of District funds in a “qualified depository.” The Act defined a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. However, the District does not have a separate deposit and investment policy that addresses the specific types of deposit and investment risk to which the District is exposed.

*Custodial credit risk – deposits* is the risk that in event of a bank failure, the District’s deposits may not be returned to it. At December 31, 2019, the carrying amount of the District’s deposits was \$3,101,834, and the bank balance was \$4,202,987. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposits of public money at individual financial institutions, and the District follows these recommendations. Of the amounts held in deposit at December 31, 2019, \$3,952,987 was uninsured and uncollateralized.

*Custodial credit risk – investments* is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District’s investment in the Utah Public Treasurer’s Investment Fund (PTIF) has no custodial credit risk.

*Interest Rate Risk* is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

*Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for limiting the credit risks of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investment Services or Standard and Poors; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 CASH AND CASH EQUIVALENTS (Continued)**

variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations as defined by the Act.

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment in the PTIF has no concentration of credit risk.

The District invests in the Utah Public Treasurer’s Investment Pool (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer’s Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants’ share to the total funds in the PTIF based on the participants’ average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer’s Office.

The District measures 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

The fair value of PTIF investments is measured using the Level 2 as noted above. Money Market Funds are considered Level 2.

	<u>Carrying Amounts</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating (1)</u>
<b>Cash on hand and on deposit:</b>				
Cash on hand	\$ 1,300	\$ 1,300	N/A	N/A
Cash on deposit	<u>2,356,005</u>	<u>2,356,005</u>	N/A	N/A
<b>Total cash on hand and deposit</b>	<u>\$ 2,357,305</u>	<u>\$ 2,357,305</u>		
<b>Investments</b>				
State of Utah Public Treasurer's Investment Fund	\$ 30,095,768	\$ 30,087,574	N/A	N/A
Money Market Funds	<u>-</u>	<u>-</u>		
<b>Total investments</b>	<u>\$ 30,095,768</u>	<u>\$ 30,087,574</u>		

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 CAPITAL ASSETS**

The District depreciates its capital assets using the straight-line method. A summary of the capital asset activity for the year ended December 31, 2019 is as follows:

	<b>Balance 12/31/2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2019</b>
Capital Assets, not being depreciated:				
Land	\$ 1,854,730	\$ 910,268	\$ (23,754.00)	\$ 2,741,244
Water rights, water shares, and easements	640,102	38,490	-	678,592
Construction in progress	9,204,899	17,544,638	(4,695,048)	22,054,489
<b>Total Capital Assets, not being depreciated</b>	<b>11,699,731</b>	<b>18,493,396</b>	<b>(4,718,802)</b>	<b>25,474,325</b>
Capital Assets, being depreciated:				
Buildings and improvements	4,046,861	-	-	4,046,861
Water system	50,032,317	3,828,520	(25,328)	53,835,509
Secondary water system	6,420,054	1,212,984	-	7,633,038
Sewer treatment plant	24,789,825	-	-	24,789,825
Sewage collection lines	9,581,904	45,980	-	9,627,884
Machinery and equipment	2,711,111	228,455	-	2,939,566
<b>Total Capital Assets, being depreciated</b>	<b>97,582,072</b>	<b>5,315,939</b>	<b>(25,328)</b>	<b>102,872,683</b>
Total Capital Assets	109,281,803	23,809,335	(4,744,130)	128,347,008
Less Accumulated Depreciation:				
Buildings and improvements	(211,495)	(134,895)	-	(346,390)
Water system	(24,203,693)	(1,688,419)	25,328	(25,866,784)
Secondary water system	(1,808,065)	(221,269)	2	(2,029,332)
Sewer treatment plant	(13,802,755)	(635,148)	-	(14,437,903)
Sewage collection lines	(6,411,057)	(234,387)	-	(6,645,444)
Machinery and equipment	(1,358,994)	(219,477)	-	(1,578,471)
<b>Total Accumulated Depreciation</b>	<b>(47,796,059)</b>	<b>(3,133,595)</b>	<b>25,330</b>	<b>(50,904,324)</b>
<b>Capital Assets, net</b>	<b>\$ 61,485,744</b>	<b>\$ 20,675,740</b>	<b>\$ (4,718,800)</b>	<b>\$ 77,442,684</b>

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 LONG TERM OBLIGATIONS**

The following is a summary of long-term debt obligations of the District for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds - Direct Placements	\$ 13,495,000	\$ -	\$ (500,000)	\$ 12,995,000	\$ 520,000
General obligation bonds - Other	5,755,000	8,025,000	(555,000)	13,225,000	830,000
Premiums	998,400	702,700	(71,150)	1,629,950	-
Revenue bonds - Direct Placements	5,291,000	-	(216,000)	5,075,000	219,000
Total bonds payable	25,539,400	8,727,700	(1,342,150)	32,924,950	1,569,000
Notes Payable - Direct Placements	496,695	909,643.00	(48,433)	1,357,905	958,560
Capital leases	282,281	-	(66,851)	215,430	69,272
<b>Total Long-Term Liabilities</b>	<b>\$ 26,318,376</b>	<b>\$ 9,637,343</b>	<b>\$ (1,457,434)</b>	<b>\$ 34,498,285</b>	<b>\$ 2,596,832</b>

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds that were issued in prior years with amounts still outstanding as of December 31, 2019 was \$30,245,000.

General Obligation bonds are direct obligation and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Purpose	Issue Date	Original Borrowing	Interest Rates	Final Maturity	Amount
Refunding	2013	8,245,000	2.00 - 3.00%	2029	\$ 5,200,000
Water treatment facilities	2017	13,975,000	2.00 - 3.00%	2037	12,995,000
Various capital projects	2019	8,025,000	2.00 - 5.00%	2039	8,025,000
					<u>\$ 26,220,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	GO Bonds - Direct Placement			GO Bonds - Other		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 520,000	\$ 426,463	\$ 946,463	\$ 830,000	\$ 397,063	\$ 1,227,063
2021	540,000	405,263	945,263	855,000	371,463	1,226,463
2022	565,000	383,163	948,163	880,000	343,872	1,223,872
2023	585,000	360,163	945,163	905,000	314,619	1,219,619
2024	610,000	336,263	946,263	945,000	283,353	1,228,353
2025-2029	3,435,000	1,301,413	4,736,413	4,080,000	916,500	4,996,500
2030-2034	4,020,000	713,069	4,733,069	2,240,000	393,725	2,633,725
2035-2039	2,720,000	124,050	2,844,050	2,490,000	139,881	2,629,881
Total	<u>\$ 12,995,000</u>	<u>\$ 4,049,847</u>	<u>\$ 17,044,847</u>	<u>\$ 13,225,000</u>	<u>\$ 3,160,476</u>	<u>\$ 16,385,476</u>

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 LONG TERM OBLIGATIONS (Continued)**

Covenant Requirements

Both the 2013, 2017 and the 2019 bond agreements require the District to levy all taxable property, in addition to all other taxes, a direct annual tax sufficient to pay the principal and interest on these bonds.

Revenue Bonds

The District also issues bonds where the District pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years with amounts still outstanding as of December 31, 2019 was \$7,100,000. Revenue bonds outstanding at year end are as follows:

Purpose	Issue Date	Original Borrowing	Interest Rates	Final Maturity	Amount
Water treatment plant	2007	7,100,000	1.50%	2039	<u>5,075,000</u>
					<u>\$ 5,075,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 219,000	\$ 76,125	\$ 295,125
2021	223,000	72,840	295,840
2022	226,000	69,495	295,495
2023	230,000	66,105	296,105
2024	233,000	62,655	295,655
2024-2028	1,218,000	259,815	1,477,815
2029-2033	1,312,000	165,645	1,477,645
2034-2038	1,414,000	64,260	1,478,260
Total	<u>\$ 5,075,000</u>	<u>\$ 836,940</u>	<u>\$ 5,911,940</u>

Reserve requirements

The District is required to establish reserve accounts to provide for proper service of the 2007 Water Revenue Bonds. Following is a description of these reserve accounts.

The District is required to make monthly contributions to a Reserve Account to be used to pay principal falling due on the 2007 Bonds at any time when there are not sufficient funds to pay the same. Required monthly contributions to this Reserve Account are \$4,935 until the account balance reaches \$296,105. As of December 31, 2019, required reserve fund balances were fully funded.

The District is also required to set aside funds sufficient to cover debt service principal and interest payments for the succeeding year. As of December 31, 2019, required reserve fund balances were fully funded.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 LONG TERM OBLIGATIONS (Continued)**

Required reserve fund balances as of December 31, 2019 are as follows:

	2007 Series	
	Amount Required	Amount on Deposit
Reserve accounts	\$ 296,105	\$ 297,329
Debt service accounts	295,125	307,801
Total reserve requirements	\$ 591,230	\$ 605,130

**Notes Payable**

The District has entered into an agreement with the State of Utah Division of Water Resources (State) for the construction of a secondary water system. The State agreed to advance the District \$1,175,000 at an annual interest rate of 1.00% to fund construction on the project.

The District has entered into an agreement to provide water rights to Kennecott in exchange for Land. The amount due is \$909,643.

Annual debt service requirements to maturity for Notes Payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 958,560	\$ 4,483	\$ 963,043
2021	49,407	3,993	53,400
2022	49,901	3,499	53,400
2023	50,400	3,000	53,400
2024	50,904	2,496	53,400
2025-2029	198,733	4,844	203,577
Total	1,357,905	22,315	\$ 1,380,220

**Capital Leases**

The District has entered into lease agreements as lessee for financing the acquisition of various vehicles. The leases carry interest rate of 3.620% and maturity dates in 2022. During 2018, the District returned the vehicles from all previous capital leases and then subsequently entered into a new capital lease agreements. This new lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Total depreciation expense for the leased vehicles was \$66,861 for the year ended December 31, 2019 and is included in depreciation and amortization on the statement of revenues, expenses, and changes in net position. Interest expense related to the leases was \$15,672 for the year ended December 31, 2019.

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 334,305
Less: Accumulated depreciation	(84,329)
Total	\$ 249,976

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 LONG TERM OBLIGATIONS (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year Ending December 31,	Payments
2020	\$ 77,070
2021	77,071
2022	77,070
Total minimum capital lease payments	231,211
Less: amounts representing interest	(15,781)
Present value of net minimum capital lease payments	215,430
Less: current portion	(69,272)
Long-term capital lease obligations	\$ 146,158

**NOTE 5 UNION EMPLOYEES PENSION PLAN**

Most full-time District employees are members of the Western Conference Teamsters Pension Plan (the Plan, or WCTPP). The Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Board of Trustees of the Plan, who have authority to amend the benefits provided by the Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. As of December 31, 2019 there were 19 employees participating in the Plan. Participants in the Plan normally must be vested over a five-year period prior to receiving benefits.

The District makes pension contributions to the Plan, on behalf of covered employees at the rate of \$4.75 \$4.90 and \$5.05 an hour for the years ended December 31, 2017, 2018 and 2019. The contribution rates of the district are determined pursuant to a collective-bargaining agreement, covering the period June 1, 2019 through May 31, 2023. The Plan has no minimum contribution requirements. If the District withdraws from the Plan, they will be liable to the Plan in the amount determined under the Plan's Agreement & Declaration of Trust section 10 which can be found at <http://www.wctpension.org/forms-documents-webcasts/plan-documents>.

The WCTPP issues a publicly available financial report which can be obtained at <http://www.wetpension.ort/forms-documents-webcasts/plan-documents>. Additional information regarding the Plan may be obtained by accessing the aforementioned audited financial report.

District contributions to the Plan were \$204,482, \$227,391, and \$207,315, for 2019, 2018, and 2017, respectively. The District did not have any amount due the Plan as of December 31, 2019.

**NOTE 6 NON-UNION EMPLOYEES PENSION PLAN**

*Plan Description.* The Magna Water District Defined Benefit Plan (the Plan) is a single-employer defined benefit plan. The Plan's provisions were adopted by a resolution of the Water District's Board of Trustees, which appoints those who serve as trustees of the Plan. Any amendments to the plan are adopted by a resolution of the Water District's Board of Trustees.



**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)**

*Benefits provided.* The Plan covers all eligible employees and provides retirement benefits to plan members and their beneficiaries. Eligible employees are the executive employees who do not qualify to participate in the Union Employees Pension Plan described in the previous note. Retirement benefits are as follows:

<u>Years of service required</u>	<u>Age eligibility for benefit</u>	<u>Monthly Benefit amount per year</u>
5 years	Must be age 55 or older	\$204.38 per year of credited service

*Participation.* As of December 31, 2019, there were 5 active participants, -0- inactive participants and -0- retirees and beneficiaries.

*Contributions.* Through December 31, 2019 contributions to the Plan were recommended by the annual actuarial report and are approved by the Water District's Board of Trustees. As of January 1, 2014 a contribution bases on a fixed dollar amount was approved by the Water District's Board of Trustees. The dollar amount will be reviewed by the Board of Trustees annually as updated actuarial valuation reports become available. The Board of Trustees approved a contribution of \$120,419 for 2017, \$143,000 for 2018, \$118,000 for 2019, and \$118,000 for 2020 through 2035. This contribution rate is consistent with the Water District's adopted Plan funding policy which is focused on keeping the Plan's funding at 100% within 7 years. Post 2036 contributions are assumed equal to the \$118,000 from the 01/01/2020 plan funding valuation. The actual amount contributed by the employer during the 2019 fiscal year was \$118,000.

*Reporting.* The Plan issues a publicly available financial report that includes statements and required supplementary information of that plan. This report may be requested from the Water District's Controller's office.

By Mail: Magna Water District  
District Controller's Office  
8885 West 3500 South  
Magna, UT 84044  
By Email: [leisle@magnawater.com](mailto:leisle@magnawater.com)  
By Phone: 801-250-2118 ext. 107

*Net Pension Liability:* At December 31, 2019, the District reported a net pension liability of \$248,916. The net pension liability was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures.

*Deferred outflows of resources and deferred inflows of resources:* At December 31, 2019, the District reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

	<u>Deferred inflows of resources</u>	<u>Deferred outflows of resources</u>
Differences between expected and actual experience	\$ (135,220)	\$ -
Changes of assumptions	-	233,585
Net difference between projected and actual earnings	-	35,122
Contributions made subsequent to measurement date	-	-
Total	<u>\$ (135,220)</u>	<u>\$ 268,707</u>

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)**

Average remaining service as of the beginning of the year is: 12.2

Year ended <u>December 31</u>	Deferred outflows <u>(inflows of resources)</u>
2020	62,770
2021	62,770
2022	62,770
2023	62,770
Thereafter	152,847

*Actuarial assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0%
Salary increases	0%
Investment rate of return	5%
Mortality	1994 Group annuity mortality table using blended rate No pre-retirement mortality was used.

*Long-term rate of return.* The long-term rate of return is selected by the Plan's Pension Committee after a review of expected inflation and long-term real returns, reflecting volatility and correlation. Best estimates of arithmetic real rates of return for major asset class included in the Plan's target asset allocations as of December 31, 2019 is summarized in the table below:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Return
Cash & Fixed Income	100%	3.00%	3.00%
Mutual Funds	0%	0.00%	0.00%
Total	100%		3.00%
		Inflation	2.00%
		Expected arithmetic nominal return	5.00%

The 5% assumed investment rate of return is comprised of an inflation rate of 2% and a real return of 3%.

*Discount rate.* The discount rate used to measure the total pension liability was 5%. The projection of cash flows used to determine the discount rate assumed contributions rates as recommended by the District's Pension Committee and approved by the Board of Trustees. Based on the assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments on current active and inactive participants. Therefore, the Long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following sensitivity analysis assumes rate volatility of plus and minus one percent of the discount rate of 5%.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)**

	1% Decrease 4%	Discount Rate 5%	1% increase 6%
Total pension liability	\$ 1,587,932	\$ 1,427,016	\$ 1,294,508
Fiduciary net position	1,178,101	1,178,101	1,178,101
Net pension liability	409,832	248,915	116,407

*Schedule of funding progress.* The following tables show the pension plan's funding progress over the past 5 years.

Year ended	Actuarial determined contribution	Actual employer contribution	% of actual to actuarial contribution	Balance net pension obligation/ prepaid
12/31/2019	\$ 108,487	\$ 118,000	108.77%	\$ 9,513
12/31/2018	110,308	143,000	129.64%	32,692
12/31/2017	130,018	120,419	92.62%	(9,599)
12/31/2016	92,570	188,030	203.12%	95,460
12/31/2015	101,980	257,245	252.25%	155,265
12/31/2014	79,336	119,526	150.66%	40,190
12/31/2013	87,908	91,092	103.62%	3,184

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded AAL (UAAL)	Funded ration	Approximate covered payroll	UAAL as a % of covered payroll
12/31/2019	\$ 1,178,101	\$ 1,427,016	\$ 248,915	82.56%	\$ 591,171	42.11%
12/31/2018	\$ 1,037,450	\$ 1,449,224	\$ 411,774	71.59%	\$ 537,984	76.54%
12/31/2017	\$ 951,912	\$ 1,337,682	\$ 385,770	71.16%	\$ 544,150	70.89%
12/31/2016	\$ 814,575	\$ 1,017,441	\$ 202,866	80.06%	\$ 404,799	50.12%
12/31/2015	\$ 613,688	\$ 955,070	\$ 341,382	64.26%	\$ 407,340	83.81%
12/31/2014	\$ 416,028	\$ 462,164	\$ 46,136	90.02%	\$ 355,160	12.99%
12/31/2013	\$ 455,985	\$ 431,710	\$ (24,275)	105.62%	\$ 368,051	-6.60%

**NOTE 7 UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS**

In accordance with the Union contract, the District contributes at the rate of \$111.66 per active employee per month to the Utah-Idaho Teamsters Security Fund, which in turn provides post-retirement healthcare benefits to all eligible retired employees. Contributions to the fund amounted to \$25,235 for 2019.

**NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description.* The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses by purchasing health insurance. It also provides life and long-term care insurance for eligible retirees through age 75. Benefit provisions are established by the Board of Trustees and are defined in the District's Administrative Rules and Regulations. No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75. The OPEB Plan does not issue a publicly available financial report.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Funding Policy.* The District contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2019, the District contributed \$29,354 to the OPEB Plan. The OPEB Plan is financed on a pay-as-you-go basis. It is the current policy of the District to set aside funds in a separate interest-bearing account, which is held by the District, in order to help meet, at least partially, the anticipated obligations of the OPEB Plan. As of December 31, 2019, the District had set aside \$1,429,818 for the purpose of funding current and future OPEB obligations. However, as these funds are not held in trust and are unrestricted assets of the District, as no external restriction has been placed upon them, they are not considered assets of the OPEB Plan.

Schedule of Changes in Total OPEB Liability for the Year Ended December 31, 2019

The components of the Magna Water District's Total OPEB Liability as of December 31, 2019 were as follows:

Total OPEB Liability (TOL)

Service cost at beginning of year	\$	38,349
Interest on TOL plus service cost, less 1/2 benefit payments		47,650
Changes of benefit terms		-
Difference between expected and actual experience		(4,100)
Changes of assumptions		287,980
Benefit payments		<u>(29,354)</u>
Net change in Total OPEB Liability		340,525
Total OPEB Liability - beginning		<u>1,140,565</u>
Total OPEB Liability - ending	\$	1,481,090

Schedule of Collective Deferred Inflows and Deferred Outflows for the Year Ended December 31, 2019

The current balances of collective deferred outflows and deferred inflows of resources as of December 31, 2019 were as follows:

	Deferred Outflows of resources	Deferred Outflows of resources
Difference between expected and actual experience	\$ -	\$ 3,690
Changes in assumptions	259,182	-
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
	\$ 259,182	\$ 3,690

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of resources	Deferred Outflows of resources
2020	\$ 28,798	\$ 410
2021	28,798	410
2022	28,798	410
2023	28,798	410
2024	28,798	410
2025	28,798	410
2026	28,798	410
2027	28,798	410
2028	28,798	410
2029+	-	

The average of expected remaining service lives was 10.1079 as of December 31, 2019 the measurement date. This was rounded to 10.0 for purposes of determining annual expense and deferral amounts.

A detailed schedule of the components of the deferrals, including date of creation, initial balance, and outstanding balance for each base, is given below:

Deferred Outflow of Resources

<u>Year</u>	<u>Category</u>	<u>Initial Base</u>	<u>Initial Period</u>	<u>Annual Outflow</u>	<u>Current Balance</u>
2019	Changes in assumptions	\$ 287,980	10.0	\$ 28,798	\$ 259,182
	<b>Total</b>			<b>\$ 28,798</b>	<b>\$ 259,182</b>

Deferred Inflow of Resources

<u>Year</u>	<u>Category</u>	<u>Initial Base</u>	<u>Initial Period</u>	<u>Annual Outflow</u>	<u>Current Balance</u>
2019	Difference between expected and actual experience	\$ 4,100	10.0	\$ 410	\$ 3,690
	<b>Total</b>			<b>\$ 410</b>	<b>\$ 3,690</b>

Annual OPEB Expense For the Year Ended December 31, 2019

The annual OPEB Expense recognized by the District can be calculated as the changes in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in Total OPEB Liability minus the changes in deferred outflows plus the changes in deferred inflows plus employer contributions.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The components of the annual OPEB Expense for the District as of December 31, 2019 were as follows:

Total OPEB Liability os of December 31, 2018 (a)	\$ 1,140,565
Total OPEB Liability os of December 31, 2019 (b)	<u>1,481,090</u>
Change in Total OPEB Liability [(b)-(a)]	\$ 340,525
Change in Deferred Outflows	(259,182)
Change in Deferred Inflows	3,690
Employer Contributions*	<u>29,354</u>
OPEB Expense	\$ 114,387

\*Actual pay-as-you-go.

Total OPEB Liability

The district's Total OPEB Liability of \$1,481,090 was based on the actuarial valuation as of December 31, 2019 and a measurement date of December 31, 2019 and a discount rate of 2.74%. The results of the December 31, 2018 actuarial valuation were rolled forward to the December 31, 2019 measurement date using standard actuarial methods.

Actuarial Assumptions. The Total OPEB Liability was determine using an actuarial valuation as of December 31, 2019, using the following actuarial assumptions:

Inflation	2.25%
Salary increases	3.00%, average, including inflation
Discount rate	2.74%, net of investment expense, including inflation
Healthcare cost trend rates	8.00% for 2018, decreaseing to 5.00% for 2021 and after
Retirees' share of cost	Retirees pay the balance of the premium after District percentage that depends on classification, year of hire, and years of service at retirement.

The discount rate was based on the bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049. And 20% of MP-2016 for 2050 and thereafter.

All actuarial assumptions used in measuring the Total OPEB Liability are described in the December 31, 2018 actuarial valuation performed by Pacific Crest Actuaries (PCA). The assumptions were based on plan experience through December 31, 2018. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

**MAGNA WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Sensitivity of Total OPEB Liability to changes in the discount rate. The following presents the District's Total OPEB Liability as of December 31, 2019 calculated using the discount rate of 2.74%, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher(3.74%) than the current rate:

	1% Decrease (1.74%)	Current Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$ 1,758,310	\$ 1,481,090	\$ 1,261,047

Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates. The following presents the District's Total OPEB Liability as of December 31, 2019, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (7.0% grading down to 4.0%) or 1 percentage point higher (9.0% grading down to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Current Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB Liability	\$ 1,243,278	\$ 1,481,090	\$ 1,787,745

**Other Required Information**

Please see the December 31, 2018 actuarial report prepared by PCA, meant to be used as a companion document for these disclosures, for the following additional information:

- A) Detail of number of covered members, active and inactive. This data is given as of the valuation date and has not changed sufficiently to warrant a revision of the Total OPEB liability.
- B) Summary of plan provisions.
- C) Detail of actuarial assumptions, subject to the following changes:
  - a. Discount rate as of December 31, 2019 is 2.74%
- D) Actuarial Certification.

**NOTE 9 DEFINED CONTRIBUTION PLAN**

Eligible (non-union) employees of the District may participate in the Magna Water District 401(k) Plan. The 401(k) Plan permits additional matching contributions up to three percent of eligible employee compensation. The District contributed \$16,532, \$15,805, and \$15,343 for the years ended December 31, 2019, 2018, and 2017, respectively.

**NOTE 10 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District purchased insurance through commercial policies. There were no significant reductions in coverage from the prior year, and there have not been any claims settled in excess of coverage for the past three years.

**MAGNA WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 11 COMMITMENTS**

The District has entered into an agreement with the Jordan Valley Water Conservancy District to purchase a minimum of 800 acre feet of water annually. During the year ended December 31, 2019 the District purchased 800.49 acre feet, at a cost of \$323,841.

The District has construction commitments outstanding at year end for projects which have been awarded totaling approximately \$17,000,000. As of December 31, 2019, the District had approximately \$1,098,000 remaining to pay on these contracts, for which no liability has been recorded because the contractor(s) have not yet performed the contract(s).

**NOTE 12 CONTINGENCIES**

Contamination of the groundwater aquifer by perchlorate, a potentially hazardous substance leaked into the groundwater by private industry and the federal government, has been studied and closely monitored by the District and the private industry firm currently involved. The private firm has been paying a portion of the District's costs of these efforts. The District and the firm entered into an agreement in December 2005 concerning the removal of perchlorate from water produced by three of the District's wells. Under the agreement, the firm agreed to pay for a substantial portion of the new treatment facility constructed by the District and for a portion of the operation and maintenance of that facility. The District receives funds from the private industrial firm for part of the maintenance costs of the facility each year, which is reflected as other non-operating income on the statement of revenues, expenses, and changes in net position. The agreement that was signed in 2005 has been renewed, having expired in 2015. The new agreement still states that the private industrial firm involved will make operation and maintenance contributions to assist on the ongoing maintenance of the treatment plant. The new agreement, as in the old agreement, has a provision for a partial refund to the firm if future perchlorate standards merit such a refund. There is also a limited waiver of liability for the firm, subject to the terms and conditions of the agreement.



**REQUIRED SUPPLEMENTAL INFORMATION**

**MAGNA WATER DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Years ended December 31, 2019 and five preceding years**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - 10 YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service cost	\$ 40,551	\$ 45,688	\$ 47,685	\$ 32,718	\$ 34,243	\$ 75,558
Interest on total pension liability	74,489	69,169	53,257	49,389	24,820	33,039
Effect on economic/demographic (gains) or losses	(370,833)	(179,274)	(62,648)	(333,724)	65,248	-
Effect of assumption changes and inputs	233,585	254,441	281,948	313,988	368,595	-
Benefit payments	-	(78,482)	-	-	-	(231,637)
Net change in total pension liability	<u>\$ (22,208)</u>	<u>\$ 111,542</u>	<u>\$ 320,242</u>	<u>\$ 62,371</u>	<u>\$ 492,906</u>	<u>\$ (123,040)</u>
Total pension liability, beginning	\$ 1,449,225	\$ 1,337,683	\$ 1,017,441	\$ 955,070	\$ 462,164	\$ 585,204
Total pension liability, ending (a)	1,427,017	1,449,225	1,337,683	1,017,441	955,070	462,164
FIDUCIARY NET POSITION						
Employer contributions	\$ 118,000	\$ 143,000	\$ 120,419	\$ 188,030	\$ 257,245	\$ 119,526
Investment income net of investment expenses	22,650	21,020	16,919	12,857	9,629	2,940
Benefit payments	-	(78,482)	-	-	-	(231,637)
Administrative expenses	-	-	-	-	-	-
Net change in plan fiduciary net position	<u>\$ 140,650</u>	<u>\$ 85,538</u>	<u>\$ 137,338</u>	<u>\$ 200,887</u>	<u>\$ 266,874</u>	<u>\$ (109,171)</u>
Fiduciary net position, beginning	\$ 1,037,451	\$ 951,913	\$ 814,575	\$ 613,688	\$ 346,814	\$ 455,985
Fiduciary net position, ending (b)	1,178,101	1,037,451	951,913	814,575	613,688	346,814
Net pension liability, ending (a) - (b)	248,916	411,774	385,770	202,866	341,382	115,350
Fiduciary net position as a % of total pension liability	82.56%	71.59%	71.16%	80.06%	64.26%	75.04%
Covered payroll	\$ 591,171	\$ 537,984	\$ 544,150	\$ 404,799	\$ 407,340	\$ 355,160
Net pension liability as a % of covered payroll	42.11%	76.54%	70.89%	50.12%	83.81%	32.48%

This schedule is intended to present 10 years of information. Subsequent years will be added as the information becomes available.

**MAGNA WATER DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION (Continued)  
Years ended December 31, 2009 through 2019**

**STATEMENT OF REQUIRED EMPLOYER CONTRIBUTION - 10 YEARS**

Year	Actuarial determined contribution	Contributions in relation to Actuarial determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of Covered-employee payroll
2019	\$ 108,487	\$ 118,000	\$ (9,513)	\$ 591,171	19.96%
2018	110,308	143,000	(32,692)	537,984	26.58%
2017	130,018	120,419	9,599	544,150	22.13%
2016	92,570	188,030	(95,460)	404,799	46.45%
2015	101,980	257,245	(155,265)	407,340	63.15%
2014	79,336	119,526	(40,190)	355,160	33.65%
2013	87,908	91,092	(3,184)	368,051	24.75%
2012	93,980	18,778	75,202	354,104	5.30%
2011	93,980	91,092	2,888	353,342	25.78%
2010	92,814	115,793	(22,979)	455,185	25.44%
2009	66,274	91,092	(24,818)	232,081	39.25%

**Note 1 - Valuation Date**

The valuation date is January 1, 2019. This is the date as of which the actuarial valuation was performed. The Measurement Date is December 31, 2019. This is the date as of which the net pension liability is determined. The Reporting Date is December 31, 2019. This is the employer's fiscal year ending date.

**Note 2 - Methods and Assumptions used to determine contribution rates**

Actuarial cost method	Entry Age Normal
Asset valuation method	Current Asset Values
Discount rate	5.00%
Expected long-term rate of return on plan assets	5.00%
Projected salary increases incorporated into the calculation	0
Projection inflation rate increases	0
Projected rate of post-retirement benefit cost increases	0
Mortality table	1994 GAM Blended

**OTHER SUPPLEMENTAL INFORMATION**

**MAGNA WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For The Year Ended December 31, 2019**

**Operating Revenues:**

Charges for services:	
Water sales - culinary	\$ 3,756,023
Water sales - secondary	223,910
Sewer service charges	3,645,110
Connection fees and other income	<u>555,313</u>
<b>Total Operating Revenues</b>	<u><b>8,180,356</b></u>

**Operating Expenses:**

Salaries and benefits:	
Salaries and wages - plant	1,103,133
Salaries and wages - office	749,835
Trustees' salaries	14,583
Payroll taxes and fringe benefits	<u>1,195,488</u>
Total salaries and benefits	<u><b>3,063,039</b></u>

Contractual services:

Legal	110,998
Lobbyist fees	-
Accounting	15,000
Engineering	391,615
Data processing services	41,123
Janitorial	6,065
Lab and testing	85,476
Payroll	<u>7,822</u>
Total contractual services	<u><b>658,099</b></u>

Materials and supplies:

Repairs, maintenance, and supplies	1,122,551
Office supplies and postage	72,939
Water purchased	<u>323,841</u>
Total materials and supplies	<u><b>1,519,331</b></u>

Utilities:

Electricity and fuel for water production and sewer processing	601,323
Office and general, electricity and fuel	5,835
Telephone and paging	<u>60,962</u>
Total materials and supplies	<u><b>668,120</b></u>

Depreciation and amortization	<u><b>3,133,595</b></u>
-------------------------------	-------------------------

**MAGNA WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION (Continued)  
For The Year Ended December 31, 2019**

Lease expense	<u>34,359</u>
Other operating expenses:	
Transportation	63,756
Bad debts	14,937
Insurance	108,882
Training	43,939
Miscellaneous	<u>634,073</u>
Total other operating expenses	<u>865,587</u>
<b>Operating Income (Loss)</b>	<u><b>(1,761,774)</b></u>
<b>Nonoperating Revenues (Expenses):</b>	
Property tax revenue	3,585,116
Non-resident fee in lieu of property tax	53,707
Impact fees	888,964
Gain (loss) on sale of assets	80,184
Other non-operating income	167,112
Interest income	857,810
Interest expense	(677,055)
Debt issuance costs	<u>(171,187)</u>
<b>Total Nonoperating Expenses</b>	<u><b>4,784,651</b></u>
<b>Income Before Capital Contributions</b>	3,022,877
<b>Capital Contributions</b>	<u>219,906</u>
<b>Change In Net Position</b>	<u><b>\$ 3,242,783</b></u>

**MAGNA WATER DISTRICT  
SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION – COMPARED TO BUDGET  
For The Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating Revenues:</b>				
Water sales	\$ 5,018,299	\$ 5,018,299	\$ 3,979,933	\$ (1,038,366)
Sewer service charges	3,560,000	3,560,000	3,645,110	85,110
Connection fees and other income	148,486	148,486	555,313	406,827
<b>Total Operating Revenues</b>	<u>8,726,785</u>	<u>8,726,785</u>	<u>8,180,356</u>	<u>(546,429)</u>
<b>Operating Expenses:</b>				
Salaries and benefits	3,160,000	3,160,000	3,063,039	96,961
Contractual services	780,300	780,300	658,099	122,201
Materials and supplies	1,775,300	1,775,300	1,519,331	255,969
Utilities	693,400	693,400	668,120	25,280
Depreciation and amortization	3,645,000	3,645,000	3,133,595	511,405
Lease expense	37,000	37,000	34,359	2,641
Other operating expenses	560,150	560,150	865,587	(305,437)
<b>Total Operating Expenses</b>	<u>10,651,150</u>	<u>10,651,150</u>	<u>9,942,130</u>	<u>709,020</u>
<b>Operating Income (Loss)</b>	<u>(1,924,365)</u>	<u>(1,924,365)</u>	<u>(1,761,774)</u>	<u>(1,255,449)</u>
<b>Nonoperating Revenues:</b>				
Property tax revenue	2,792,833	2,792,833	3,585,116	792,283
Non-resident fee in lieu of property tax	60,000	60,000	53,707	(6,293)
Impact fees	516,000	516,000	888,964	372,964
Gain (loss) on sale of assets	2,500	2,500	80,184	77,684
Other non-operating income	191,889	191,889	167,112	(24,777)
Intergovernmental revenue	-	-	-	-
Interest income	320,000	320,000	857,810	537,810
<b>Total Nonoperating Revenues</b>	<u>3,883,223</u>	<u>3,883,223</u>	<u>5,632,893</u>	<u>1,749,670</u>
<b>Nonoperating Expenses:</b>				
Interest expense	630,600	630,600	677,055	(46,455)
Debt issuance costs	100,000	100,000	171,187	(71,187)
<b>Total Nonoperating Expenses</b>	<u>730,600</u>	<u>730,600</u>	<u>848,242</u>	<u>(117,642)</u>
<b>Income Before Capital Contributions</b>	1,228,258	1,228,258	3,022,877	611,863
<b>Capital Contributions</b>	<u>620,000</u>	<u>620,000</u>	<u>219,906</u>	<u>(400,094)</u>
<b>Change In Net Position</b>	<u>\$ 1,848,258</u>	<u>\$ 1,848,258</u>	<u>\$ 3,242,783</u>	<u>\$ 211,769</u>

**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**

Board of Trustees  
Magna Water District  
Magna, Utah

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 statement of Magna Water District (the District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated September 9, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the 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. We did not identify any deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Keddington & Christensen, LLC*

Keddington & Christensen, LLC

Salt Lake City, Utah

September 9, 2020

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

Board of Trustees  
Magna Water District  
Magna, Utah

***Report on Compliance***

We have audited Magna Water District's (the District) 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, 2019.

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

***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 the District'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 District'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 District's compliance with those requirements.

***Opinion on Compliance***

In our opinion, Magna Water District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2019.

### ***Other Matters***

The results of our auditing procedures did not disclosed instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide.

### ***Report On Internal Control Over Compliance***

Management of the District 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 District'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 District'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 to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

***Keddington & Christensen, LLC***

Keddington & Christensen, LLC

Salt Lake City, Utah

September 9, 2020