

WEBER BASIN WATER CONSERVANCY DISTRICT

Financial Statements and Supplementary Data
June 30, 2018 and 2017

(With Auditors' Report Thereon)

WEBER BASIN WATER CONSERVANCY DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Position	8
Statement of Income from Operations, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-19
Required Supplementary Information	20
Notes to Required Supplementary Information	21
Schedule of the Proportionate Share of the Net Pension Liability	22
Schedule of Contributions	23
Supplementary Information	24
Statement of Assets and Liabilities - By Funds - Schedule 1	25
Statement of Cash Receipts and Disbursements - By Funds - Schedule 2	26
Schedule of Insurance Policies in Force - Schedule 3	27
Statement of Cash Receipts and Disbursements:	
Water Revenue Bonds - Series 2000A - Schedule 4	28
Water Revenue Bonds - Series 2007A - Schedule 5	29
Water Revenue Bonds - Series 2007B - Schedule 6	30
Water Revenue Bonds - Series 2009A - Schedule 7	31
Water Revenue Bonds - Series 2009B - Schedule 8	32
Water Revenue Bonds - Series 2009C - Schedule 9	33
Water Revenue Bonds - Series 2010A - Schedule 10	34
Water Revenue Bonds - Series 2012A - Schedule 11	35
Water Revenue Bonds - Series 2013A - Schedule 12	36
Water Revenue Bonds - Series 2013B - Schedule 13	37
Water Revenue Bonds - Series 2015A - Schedule 14	38
Water Revenue Bonds - Series 2015B - Schedule 15	39
Water Revenue Bonds - Series 2017A - Schedule 16	40
Water Revenue Bonds - Series 2017B - Schedule 17	41
Water Revenue Bonds - Series 20 Series 2017A & B G.O. Schedule 18	42
Schedule of Investments - Schedule 19	43
Independent Auditors' Report on Compliance and on Internal Controls Over Compliance in Accordance With the <i>State of Utah Legal Compliance Audit Guide</i>	44-45
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46
Independent Auditors' Water Conservancy Revenue Bonds - Series 2000A, 2002C, 2007A, 2007B, 2009A, 2009B, 2009C, 2010A, 2012A, 2013A, 2013B, 2015A, and 2015B Resolution Compliance Report	47
Independent Auditors' Report on Compliance Over Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	48-49
Schedule of Findings and Questioned Costs	50
Schedule of Expenditures of Federal Awards	51
Notes to Schedule of Expenditures of Federal Awards	52



Independent Auditors' Report

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

Report on the Financial Statements

We have audited the accompanying statement of net position of Weber Basin Water Conservancy District as of June 30, 2018 and 2017, and the related statement of revenue, expenses and changes in net position and statement of cash flows for the years then ended and the related notes to the financial statements which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2018 and 2017 and the respective changes in financial position, and cash flows thereof for the years 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 on pages 3-7 and required supplementary information on pages 21 - 23 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information contained in Schedules 1-19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 supplementary information and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, 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 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.

Christensen, Palmer & Ambrose P.C.



WEBER BASIN WATER CONSERVANCY DISTRICT

2837 East Highway 193 • Layton, Utah 84040 • Phone (801) 771-1677 • (SLC) 359-4494 • Fax (801) 544-0103

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial activities of Weber Basin Water Conservancy District is provided by the District's management. This information is to provide the reader with a summary of key financial activity, in narrative form, during the fiscal year ended June 30, 2018. More detailed information regarding the financial activities may be found in the "Financial Statements and Supplementary Data (with Auditors' report)" prepared by the District's independent auditor.

Overview of the Financial Statements

Weber Basin Water Conservancy District's financial statements consist of the following:

The Statement of Net Position provides information regarding all assets of the District, such as cash, investments, water stock, sinking fund reserves, and property and equipment, as well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net position.

The Statement of Income from Operations, Expenses and Changes in Net Position shows all revenue received during the most recent fiscal year broken down by the various types of water sales, property taxes, power sales, interest earnings, and miscellaneous revenue. Expenses are broken down into payroll related expenses, maintenance and repairs, utilities, insurance, interest expense, depreciation, and other miscellaneous expenses. This statement also provides information regarding the change in net position between the most recent and the preceding fiscal years.

The Statement of Cash Flows shows what effect the District's operating activities, investing activities, capital, and related financing activities had on cash flow. This statement also reconciles the operating income to the net cash provided by operating activities.

Notes to Financial Statements provides additional information regarding, among other items, the organization and significant accounting policies of the District, cash and investments, more detailed information on property and equipment, and long-term liabilities.

Schedules provide supporting information to the statements referred to above, breaking down the Statement of Net Position by fund, as well as showing, by fund, the receipts and disbursements. The schedules section of the report also includes a listing of insurance policies in force, statements of cash receipts and disbursements for each bond series, and a schedule of the District's investments.

Other Information includes various letters from the independent auditor regarding compliance issues.

Condensed Financial Information

Statement of Net Position

Total assets (and deferred outflows of resources) increased \$31.1 million during FY 2018 and long-term liabilities increased by \$22.3 million which accounted for the Change in Net Position increase of \$8.8 million. This increase is primarily due to the issuance of bonds in during the year.

Condensed Statement of Net Position

	FY 2018	FY 2017	FY 2016	Net Change 2018-2017
Assets				
Current and Other Assets	\$113,166,877	\$81,624,622	\$83,059,838	\$31,542,255
Deferred Outflows of Resources	2,085,976	1,951,182	1,524,466	134,794
Capital Assets	276,637,663	277,135,135	275,893,961	(497,472)
Total Assets & Deferred Outflows of Resources	\$391,890,516	\$360,710,939	\$360,478,265	\$31,179,577
Liabilities				
Current and Other Liabilities	\$24,329,680	\$16,246,991	\$16,249,546	\$8,082,689
Long-term Liabilities	145,558,312	131,264,691	137,318,626	14,293,621
Total Liabilities	\$169,887,992	\$147,511,682	\$153,568,172	\$22,376,310
Net Position				
Net Investment in Capital Assets	\$127,368,590	\$143,401,304	\$136,544,635	(\$16,032,714)
Restricted	25,415,228	15,496,558	16,155,072	9,918,670
Unrestricted	69,218,706	54,301,395	54,210,386	14,917,311
Total Net Position	\$222,002,524	\$213,199,257	\$206,910,093	\$8,803,267

Statement of Revenues

Total revenues, including non-operating interest income, increased by approximately \$8 million (23.5%) from FY 2017 to FY 2018. The bulk of the increase was from Other revenue which showed an increase of nearly \$5.6 million, up 436% over 2017 Other revenue. This increase included approximately \$700,000 for four years of Fish & Wildlife Credits (2015-2018), \$1 million in Grant revenue, and a \$3 million gain relating the prepayment of the Original U.S. Construction Obligation loan. Water Sales revenue showed an increase of \$1.7 million, up 7.5% over 2017 Water Sales.

Condensed Statement of Revenues

	FY 2018	FY 2017	FY 2016	Net Change 2018-2017
Revenue				
Water Sales	\$24,685,183	\$22,958,477	\$21,556,063	\$1,726,706
Ad Valorem & Fee-in-lieu of taxes	10,014,893	9,716,998	9,484,366	297,895
Interest	1,175,183	644,648	587,641	530,535
Other	6,883,448	1,283,938	1,037,698	5,599,510
Total Revenues	\$42,758,707	\$34,604,061	\$32,665,768	\$8,154,646

Statement of Expenses

FY 2018 expenses increased by 15.5% over FY 2017 expenses. The bulk of the increase was due to increased costs of maintenance and repairs to District assets in accordance with the Capital Assets Plan as well as expenses incurred for leasing and reserving water to supplement the District's water supply. Interest Expense also increased approximately \$1.3 million as a result of new bond issuance and subsequent refunding.

Condensed Statement of Expenses

Expenses	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>Net Change 2018-2017</u>
Salaries & Payroll Taxes and Benefits	\$9,747,158	\$9,806,614	\$8,546,832	(\$59,456)
Maint & Repairs, Equip, Chemicals	9,577,894	4,035,873	4,537,966	5,542,021
Power and Utilities	492,157	697,820	783,896	(205,663)
Interest Expense	5,411,366	4,077,678	4,165,554	1,333,688
Insurance & Professional Services	584,881	548,370	548,116	36,511
Depreciation	6,053,891	5,906,092	5,831,326	147,799
Miscellaneous	1,740,165	4,009,626	2,432,628	(2,269,461)
Total Expenses	<u>\$33,607,512</u>	<u>\$29,082,073</u>	<u>\$26,846,318</u>	<u>\$4,525,439</u>

Statement of Changes in Net Position

Below is a condensed statement of changes in net position that shows that the District improved its net position by \$8,803,267 during FY 2018 compared to FY 2017 - a 4.1% increase

Condensed Statement of Changes in Net Position

Revenues and Expenses	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>Net Change 2018-2017</u>
Revenues	\$42,758,707	\$34,604,061	\$32,665,768	\$8,154,646
Expenses	33,607,512	29,082,073	26,846,318	4,525,439
Net Income	\$9,151,195	\$5,521,988	\$5,819,450	\$3,629,207
Net Position - Beginning of Year*	212,851,329	207,677,269	201,090,643	5,174,060
Net Position - End of Year	<u>\$222,002,524</u>	<u>\$213,199,257</u>	<u>\$206,910,093</u>	<u>\$8,803,267</u>

*FY 2018 Beginning of Year Net Position includes a prior period adjustment of \$347,928-

Actual Results versus Budget Amounts

Revenues during FY 2018 were \$7,169,007 above the budgeted amount primarily due to the more than \$5.5 million increase in Miscellaneous revenue which includes \$3 million gain recognized as a result of the prepayment of the Original U.S. Construction Obligation loan. Additionally there was a \$1.1 million increase in water sales revenue and increased interest income of nearly \$540,000. Expenditures were \$6 million below budget largely due to the Capital Improvements being \$20 million less than planned.

Condensed Statement of Actual vs. Budget Amounts – FY 2018 Total Receipts (Revenues, Loan & Bond Proceeds, Use of Reserves) less Total Expenditures (O&M Expenses, Capital Expenses, Loan & Bond Payments)

Receipts	FY 2018	FY 2018	Difference
	Actual Results	Budget Amount	Actual vs. Budget
Revenue	\$24,685,183	\$23,543,000	\$1,142,183
Water Sales	10,014,893	10,060,000	(45,107)
Ad Valorem & Fee-in-lieu of taxes	1,175,183	636,700	538,483
Interest	6,883,448	1,350,000	5,533,448
Miscellaneous	\$42,758,707	\$35,589,700	\$7,169,007
Total Revenues			
Loan and Bond Proceeds & Use of Reserves	\$46,600,000	\$62,500,000	(\$15,900,000)
Loan Advance/Net Bond Proceeds	0	0	0
Use of Reserve/Bond Funds	\$46,600,000	\$62,500,000	(\$15,900,000)
Total Loan & Bond Proceeds & Use of Reserves			
Total Receipts	\$89,358,707	\$98,089,700	(\$8,730,993)
Expenditures	FY 2018	FY 2018	Difference
	Actual Results	Budget Amount	Actual vs. Budget
Salaries & Payroll taxes and Benefits	\$9,747,158	\$10,405,000	(\$657,842)
Maintenance & Repairs, Equip and Chemicals	9,577,894	3,270,000	6,307,894
Power and Utilities	492,157	700,000	(207,843)
Interest Expense	5,411,366	5,049,204	362,162
Insurance and Professional Services	584,881	445,000	139,881
Capital Improvements	5,643,153	25,820,000	(20,176,847)
Loan Payments	16,171,328	16,297,171	(125,843)
Bond Payments	12,220,000	3,875,100	8,344,900
Water Stock Purchase	1,123,225	500,000	623,225
Miscellaneous	1,740,165	2,381,361	(641,196)
Total Expenditures	\$62,711,327	\$68,742,836	(\$6,031,509)
Difference-Receipts less Expenditures	\$26,647,380	\$29,346,864	(\$2,699,484)
(Addition to Reserves or Unspent Bond Proceeds)			

Capital Asset and Long-Term Debt Activity

In August the District issued four series of bonds for a total of \$46,600,000. Proceeds from this issuance were used to refund the series 2009A and 2009C bonds, refund the series 2009B bonds on a crossover basis, and prepay the original Government Obligation loan. Additionally, the issuance provided \$15 million in new money for Capital Projects. The advanced refunding of bonds as well as the Federal Obligation prepayment resulted in an estimated net present value savings of \$1,753,311 taking into account the interest on the crossover refund of series 2009B bonds. The most significant capital improvement projects during FY 2018 were the continuing of secondary water meter installations, costs incurred as part of the Wasatch Regional Pipeline, and another phase of the lining of the Willard Canal. Other major capital improvement projects are listed below.

Significant Long-Term Debt Activity	<u>Decrease</u>	
Total Debt to Federal Government	\$19,233,186	Reduction based prepayment and scheduled payments
Total Bond Debt	\$12,220,000	Reduction based on refundings and scheduled payments
New Bond Issue - Series 2017A	\$20,295,000	Refunding of 2009A and 2009C Bonds plus \$15 million
New Bond Issue - Series 2017B	\$13,580,000	Crossover Refunding of 2009B Build America Bonds
New Bond Issue - G.O. Series 2017A	\$5,245,000	Prepayment of original project costs
New Bond Issue - G.O. Series 2017B	\$7,480,000	Prepayment of original project costs
Significant Capital Asset Activity	<u>Increase</u>	
West Haven Capital Project Pipelines	\$164,822	
Meter Reading Radio Equipment	\$234,878	
Davis Aqueduct Reach 1 Align Study	\$294,159	
DSWTP Backwash Tank	\$411,524	
GSL Pipeline Replacement	\$449,262	
AV Watkins Dam Design & Raise	\$527,164	
Wasatch Regional Pipeline	\$929,800	
Uintah Bench/W. Haven Meter Install	\$1,805,227	
Willard Canal Lining Project, Phase 5	\$2,009,522	

Bond Covenants, Adjusted Sum of Valuations and Tax Rate

The District met all of its bond and loan obligations in a timely manner during fiscal year 2018, and its debt service coverage rate (1.90) was well above the bond covenant rate requirement (1.25). Factoring in the District-controlled, unrestricted Bond Reserves Account into the equation, the debt service coverage rate was 2.70. Listed below are the adjusted sum of valuations of the taxable property within the District's boundaries along with the assessed tax rate for the last five years.

	<u>Adjusted Sum of Valuations</u>	<u>Tax Rate</u>
Calendar Year 2017(FY 2018)	\$50,607,528,409	0.000174
Calendar Year 2016(FY 2017)	\$46,077,171,288	0.000187
Calendar Year 2015(FY 2016)	\$42,276,699,064	0.000196
Calendar Year 2014(FY 2015)	\$40,450,873,880	0.000199
Calendar Year 2013 (FY 2014)	\$37,287,773,333	0.000210

Expectations of Changes in Financial Position

Core revenues (water sales, ad valorem taxes and fee-in-lieu) are expected to raise slightly. Capital project expenditures for FY 2019 are expected to be approximately \$30 million. The planned projects for FY 2019 include work on the South Davis Water Treatment Plant, the ongoing lining of the Willard canal, replacement of old pipelines, installation of new pipelines, drilling of two new wells, and the construction of a new conservation and education building. These and other projects will be funded through FY 2019 water sales, unspent bond issue proceeds, and from reserves that have been set aside for these purposes. District management is confident that Weber Basin Water Conservancy District will continue in its strong financial condition.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Net Position

June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash (note 2)	\$ 1,007,465	449,978
Investments (note 2)	30,594,447	26,963,107
Accounts receivable	1,893,046	1,496,435
Grants receivable	-	-
Inventory of supplies	81,305	99,311
Water stock investments, at cost	21,834,668	20,711,443
Insurance deposits	1,603	2,084
Cafeteria plan	27,896	32,661
Total current assets	<u>55,440,430</u>	<u>49,755,019</u>
Sinking fund and reserve fund assets:		
Investments	57,726,447	31,869,603
Capital assets less accumulated depreciation of \$86,390,326 in 2018 and \$80,485,904 in 2017 (includes system constructed by United States Government) (notes 1 and 3)	<u>276,637,663</u>	<u>277,135,135</u>
Total assets	<u>389,804,540</u>	<u>358,759,757</u>
Deferred outflows of resources:		
Deferred pension charge	<u>2,085,976</u>	<u>1,951,182</u>
Total deferred outflows of resources	<u>2,085,976</u>	<u>1,951,182</u>
<u>Liabilities</u>		
Current liabilities:		
Current installments of long-term debt (note 4)	6,122,043	5,919,960
Accounts payable	1,089,417	992,125
Accrued compensation	<u>2,170,443</u>	<u>2,173,160</u>
Total current liabilities	<u>9,381,903</u>	<u>9,085,245</u>
Long-term debt (note 4)	<u>145,558,312</u>	<u>131,264,691</u>
Total liabilities	<u>154,940,215</u>	<u>140,349,936</u>
Deferred inflows of resources:		
Deferred pension credit	1,578,602	441,372
Bond premium	12,826,279	6,150,333
Deferred refunding credit	<u>542,896</u>	<u>570,041</u>
Total deferred inflows of resources	<u>14,947,777</u>	<u>7,161,746</u>
<u>Net Position</u>		
Net investment in capital assets	127,368,590	143,401,304
Restricted	25,415,228	15,496,558
Unrestricted	<u>69,218,706</u>	<u>54,301,395</u>
Total net position	<u>\$222,002,524</u>	<u>213,199,257</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Income from Operations, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Income from operations:		
Water sales:		
Replacement water	\$ 3,767,620	3,467,619
Municipalities	9,659,083	9,177,236
Irrigation charges	6,575,595	5,512,315
Companies	1,114,584	1,064,579
Untreated	3,568,301	3,736,731
Ad valorem taxes	9,468,284	9,160,168
Fees in lieu of taxes	546,609	556,830
Power sales	223,159	16,993
Fish and Wildlife credits	713,054	-
Grants	1,075,497	379,382
Miscellaneous	1,747,134	710,187
Total revenue	<u>38,458,920</u>	<u>33,782,028</u>
Expenses:		
Salaries	6,206,252	6,061,773
Payroll taxes and fringe benefits	3,540,906	3,744,841
Maintenance and repairs	8,694,093	3,266,956
Power and utilities	492,157	697,820
Chemicals	883,801	768,917
Operation and maintenance to other organizations	1,162,546	3,323,520
Insurance	297,737	287,579
Professional services	287,144	260,791
Depreciation	6,053,891	5,906,092
Conservation expenses	306,194	345,043
Miscellaneous	271,425	341,063
Total expenses	<u>28,196,146</u>	<u>25,004,395</u>
Net income from operations	<u>10,262,774</u>	<u>8,777,633</u>
Non-operating income and expenses:		
Gain on sale of assets	62,746	177,385
Gain on debt cancellation	3,061,858	-
Interest income	1,175,183	644,648
Interest expense	<u>(5,411,366)</u>	<u>(4,077,678)</u>
Net non-operating income and expenses	<u>(1,111,579)</u>	<u>(3,255,645)</u>
Change in net position	9,151,195	5,521,988
Net position - beginning of year	<u>213,199,257</u>	<u>206,910,093</u>
Prior Period Adjustment	<u>(347,928)</u>	<u>767,176</u>
Net position - beginning of year - restated	<u>\$212,851,329</u>	<u>207,677,269</u>
Net position - end of year	<u>\$222,002,524</u>	<u>213,199,257</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers	\$ 36,307,779	33,494,023
Receipts from others	1,738,551	379,382
Payments to suppliers	(15,799,480)	(13,013,706)
Payments to employees	<u>(6,208,969)</u>	<u>(6,114,140)</u>
Net cash provided (used) by operating activities	<u>16,037,881</u>	<u>14,745,559</u>
Cash flows from investing activities:		
Interest received	1,175,183	644,648
(Purchase) sale of investments	<u>(29,488,184)</u>	<u>1,060,871</u>
Net cash provided (used) by investing activities	<u>(28,313,001)</u>	<u>1,705,519</u>
Cash flows from capital and related financing activities:		
Gain on sale of capital assets	62,746	177,385
Gain on debt cancellation	3,061,858	-
Interest paid	(5,411,366)	(4,077,678)
Purchase of water stock	(1,123,225)	(104,000)
Purchase of capital assets	(5,643,153)	(7,326,249)
Disposal of capital assets	86,734	178,983
Prior Period Adjustment	(347,928)	767,176
Issuance of long-term debt	46,988,428	-
Principal paid on long-term debt	(32,492,724)	(5,814,173)
Increase (decrease) in bond premium	6,675,946	(321,242)
Increase in deferred pension charge	(134,794)	(426,716)
Increase in deferred pension credit	1,137,230	147,181
Increase (decrease) in deferred refunding credit	<u>(27,145)</u>	<u>(27,144)</u>
Net cash provided (used) by capital and related financial activities	<u>12,832,607</u>	<u>(16,826,477)</u>
Net increase (decrease) in cash	557,487	(375,399)
Cash - beginning of year	<u>449,978</u>	<u>825,377</u>
Cash - end of year	<u>\$ 1,007,465</u>	<u>449,978</u>
Reconciliation of change in net position to net cash provided by operating activities:		
Net income from operations	\$ 10,262,774	8,777,633
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	6,053,891	5,906,092
(Increase) decrease in accounts receivable	(396,611)	91,377
(Increase) decrease in grant receivable	-	-
Increase (decrease) in accounts payable	97,292	12,415
Increase (decrease) in compensated absences	(2,717)	(53,527)
(Increase) decrease in inventory	18,006	11,392
(Increase) decrease in cafeteria plan	4,765	1,160
(Increase) decrease in insurance deposits	<u>481</u>	<u>(983)</u>
Net cash provided by operating activities	<u>\$ 16,037,881</u>	<u>14,745,559</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements

June 30, 2018 and 2017

(1) Organization and Summary of Significant Accounting Policies

A. Organization

Weber Basin Water Conservancy District is a political subdivision of the State of Utah organized to construct and maintain water storage reservoirs, water treatment plants, pipelines, pump stations, deep wells, aqueducts, power plants, canals, and other facilities to provide culinary and irrigation water within the District's boundaries. This report includes all funds of the District.

B. Financial Reporting Model

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant characteristics of these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net position.
3. The statement of cash flows is presented on the direct method.

C. Accounting Method

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

D. Depreciation

Depreciation is computed on district constructed facilities by the straight-line method using the following useful lives: pipelines and canals - 60 to 70 years, wells - 65 years, plant and buildings - 15 to 60 years, autos, trucks and other equipment - 5 years. Depreciation is recorded so that the net results more nearly reflect recommended procedures for public utilities. Depreciation is not computed on any facilities constructed by the Bureau of Reclamation as title remains with the Bureau.

E. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

F. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when received and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

When an expenditure is incurred for purposes for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(1) Organization and Summary of Significant Accounting Policies

G. Deferred outflows/inflows of resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

H. Pensions

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

I. Estimates

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

J. Subsequent Events

Management has evaluated subsequent events through October 18, 2018, the date the financial statements were available to be issued.

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined 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 requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state bank balance statutes require them to be. The District's deposits at June 30, 2018 and 2017 were \$1,202,578 and \$1,230,821 respectively, of which \$829,973 and \$863,690 respectively were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the 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 does not have a formal policy for custodial credit risk of investments.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(2) Deposits and Investments - Continued

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk 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 Investor Services or Standard & Poors; bankers acceptances; 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 variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at June 30, 2018 and 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments - 2018	<u>\$38,894,885</u>	52 days*	not rated
PTIF Investments - 2017	<u>\$35,650,412</u>	55 days*	not rated

*Weighted-average maturity

The District also has investments with Wells Fargo Securities, Moreton Capital and Zions Securities that consist of corporate bonds. The investments are carried at cost which is not materially different than market value.

	<u>Cost at June 30, 2018</u>	<u>Maturity</u>
Zions Securities	\$ 5,071,754	Varies
Moreton Capital	<u>5,024,345</u>	Varies
	<u>\$ 10,096,099</u>	

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(3) Capital Assets

Capital assets includes both facilities constructed by the Bureau of Reclamation and the District itself. Bureau constructed facilities are recorded at \$81,631,000; the total amount to be reimbursed by the District according to the repayment contract with the government dated December 31, 1952 and as amended.

Changes in capital assets are as follows:

	Balance June 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2018</u>
Land	\$ 5,967,454	926,381	-	6,893,835
Plant and buildings	91,054,736	635,711	-	91,690,447
Wells	19,497,420	-	-	19,497,420
Pipelines and canals	90,298,036	2,761,817	-	93,059,853
Autos and trucks	2,203,577	583,445	236,203	2,550,819
Storage and distribution system	104,173,704	-	-	104,173,704
Computer software	195,353	-	-	195,353
Miscellaneous equipment	319,389	-	-	319,389
Lab equipment	301,174	-	-	301,174
Computer equipment	849,257	359,608	-	1,208,865
Machinery and equipment	25,172,088	376,199	-	25,548,279
Reservoirs	17,179,814	-	-	17,179,814
Office furniture	409,037	-	-	409,037
	<u>357,621,039</u>	<u>5,643,153</u>	<u>236,203</u>	<u>363,027,989</u>
Accumulated depreciation	<u>(80,485,904)</u>	<u>(6,053,891)</u>	<u>(149,469)</u>	<u>(86,390,326)</u>
Capital assets - net	<u>\$277,135,135</u>	<u>(410,738)</u>	<u>86,734</u>	<u>276,637,663</u>

(4) Long-Term Liabilities

Long-term liabilities consist of the following:

	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
AV Watkins Dam repairs	-	388,428	-
United States Government:			
Original contract payable, final payment due in approximately 2034	-	-	18,618,938
Drought relief contract payable, final payment 2018	-	-	89,248
Rehabilitation and Betterment contract, final payment 2041	-	14,811,645	15,336,645
Water Conservancy Revenue Bonds:			
Series 2000A	-	300,000	325,000
Series 2007B	-	4,025,000	4,205,000
Series 2009A	3.00%-5.00%	-	8,485,000
Series 2009B*	6.40%-6.60%	15,685,000	15,685,000
Series 2009C	4%	-	803,000
Series 2010A	2%-5%	2,770,000	3,685,000
Series 2012A	2%-5%	3,175,000	3,835,000
Series 2013A	-	1,015,000	1,052,000
Series 2013B	3%-5%	21,345,000	21,345,000
Series 2015A	2%-5%	29,580,000	30,480,000
Series 2015B	2.20%	9,574,000	9,789,000
Series 2017A	4.6%-5%	20,295,000	-
Series 2017B	3%-5%	13,580,000	-
General Obligation Bonds:			
Series 2017A	5%	5,245,000	-
Series 2017B	1.7%-3%	7,480,000	-
		<u>149,269,073</u>	<u>133,733,831</u>
Less current installments due		<u>6,122,043</u>	<u>5,919,960</u>
		<u>\$143,147,030</u>	<u>127,813,871</u>

WEBER BASIN WATER CONSERVANCY DISTRICT
Notes to Financial Statements - Continued
June 30, 2018 and 2017

(4) Long-Term Liabilities - Continued

The aggregate amount of required principal payments at June 30, 2018 are as follows:

<u>Year ended June 30,</u>	
2019	\$ 6,122,043
2020	7,517,389
2021	5,837,573
2022	5,672,767
2023	5,832,968
2025-2028	35,331,207
2029-2033	39,523,821
2034-2038	28,575,900
2039-2043	9,556,406
2044-2048	<u>5,289,000</u>
	<u>\$149,269,073</u>

*On June 10, 2009, the District issued series 2009B Build America Bonds with an average interest rate of 6.52%. The bond proceeds were used to finance the cost of upgrading a water treatment plant. Pursuant to the American Recovery and Reinvestment Act of 2009, the District will receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the series 2009B Building America Bonds.

Current Refunding:

In February of 2015, the District's board approved the issuance of \$32,175,000 of Series 2015A refunding bonds. The proceeds of the bonds were used to pay off the outstanding 2005A and 2007A bonds. The 2005A bonds were directly refunded on April 1, 2015 and the 2007A bonds were defeased by placing assets in an escrow that will repay those bonds when they become callable in 2017. The escrow account assets and the liability for the defeased bonds are not included in the Statement of Net Position.

On August 10, 2017 the District issued \$12,725,000 of General Obligations bonds. The proceeds from those bonds along with \$1,400,000 from District reserves were used to pay off the original project construction loan to the Bureau of Reclamation. Also on August 10, 2017 the District issued \$20,295,000 of Water Revenue Refunding Bonds. The proceeds of those bonds were used to refund the District's 2009A and 2009C bonds, and to finance the cost of certain improvements to the District's water system.

On August 31, 2017 the District issued \$13,850,000 of Water Revenue Refunding Bonds. The proceeds from those bonds will be used to refund the District's 2009B Water Revenue bonds.

Changes in long-term liabilities are as follows:

	<u>Beginning Balance</u>	<u>Debt Added</u>	<u>Debt Retired</u>	<u>Ending Balance</u>	<u>Amounts Due In One Year</u>
Bonds and contracts	\$133,733,831	46,988,428	31,453,186	149,269,073	6,122,043
Pension liability	<u>3,450,820</u>	<u>-</u>	<u>1,039,538</u>	<u>2,411,282</u>	<u>-</u>
	<u>\$ 137,184,651</u>	<u>46,988,428</u>	<u>32,492,724</u>	<u>151,680,355</u>	<u>6,122,043</u>

(5) Contingencies

As the District conducts its normal operations, from time to time it may become the defendant in law suits. The possible claim for damages in a future suit if upheld by judicial proceedings could exceed the limit of the District's current liability insurance policy. The District would then have to pay the excess from its own funds. There are currently no cases pending.

(6) Pension Plans and Retirement Benefits

General Information about the Pension Plan

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employee retirement system.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(6) Pension Plans and Retirement Benefits - Continued

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1053, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service Required and/or Age Eligible for Benefit</u>	<u>Benefit Percent Per Year Service</u>	<u>COLA</u>
Noncontributory System	Highest 3 years	30 years any age 25 years any age 20 years age 60 10 years age 62 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60 10 years age 62 4 years age 65	1.5% per year all years	Up to 2.5%

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2018 are as follows:

Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	16.69%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Tier 2 DC Only			
211 - Local Governmental	N/A	N/A	6.69%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(6) Pension Plans and Retirement Benefits - Continued

For fiscal year ended June 30, 2018, the employer and employee contributions to the System were as follows:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 849,315	N/A
Tier 2 Public Employees System	128,999	-
Tier 2 DC Only System	<u>31,329</u>	<u>N/A</u>
Total Contributions	\$ <u>1,009,442</u>	<u>-</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems

Pension Assets, Liabilities, Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, we reported a net pension asset of \$-0- and a net pension liability of \$3,450,820.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.5093803%	\$ -	2,405,015
Tier 2 Public Employees System	0.0655762%	-	<u>6,267</u>
Total Net Pension Asset/Liability		<u>\$ -</u>	<u>2,411,282</u>

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2017.

For the year ended June 30, 2018, we recognized pension expense of \$972,002. At June 30, 2018, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,882	153,052
Change in assumptions	872,304	56,825
Net difference between projected and actual earnings on pension plan investments	519,748	1,368,725
Changes in proportion and differences between contributions and proportionate share of contributions	130,849	-
Contributions subsequent to the measurement date	<u>509,193</u>	<u>-</u>
Total	<u>\$ 2,085,976</u>	<u>1,578,602</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(6) Pension Plans and Retirement Benefits - Continued

\$509,193 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ 183,311
2019	245,155
2020	(137,952)
2021	(297,913)
2022	(1,312)
Thereafter	6,893

Actuarial assumptions: The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupations and age as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	13%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	18%	2.85%	0.46%
Cash and cash equivalents	<u>0%</u>	0.00%	<u>0.00%</u>
Totals	<u>100%</u>		<u>4.75%</u>
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2018 and 2017

(6) Pension Plans and Retirement Benefits - Continued

Discount rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95% from 7.20% from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease <u>(5.95%)</u>	Discount Rate <u>(6.95%)</u>	1% Increase <u>(7.95%)</u>
Proportionate share of Net pension (asset)/liability	\$ 6,578,076	2,411,282	(1,049,129)

Pension plan fiduciary net position: Detailed information about the plan's fiduciary net position is available in the separately issued URS financial report.

(7) District Landfill

As defined by the State of Utah, the District owns a small landfill. The landfill is the depository of sediment residual from the District water treatment plants. As a landfill owner, the District is required to provide financial assurance that, in the event of the landfill's closure, the District can cover the closure and post-closure costs. State of Utah rules allow a landfill owner several options to provide this financial assurance. The District has selected the Local Government Financial Test.

In the event of the closure of the landfill, the closure costs and post-closure costs are estimated to be \$9,600 and \$53,000 respectively. No corrective action regarding the landfill was necessary during this fiscal year. These potential costs appear as a line-item on the District's annual Capital Improvement plan and, due to the relatively small potential obligation, are not carried on the District's books as a liability.

Approximately 20% of the landfill capacity has been reached and the estimated landfill life is 70 years.

(8) Commitments

The District has committed to ongoing capital projects in the coming year in the amount of approximately \$30 million. The projects will be funded by unspent bond proceeds, water sales and reserves that were created in prior years.

(9) Prior Period Adjustment

During the year the District became aware that prior amounts payable on past projects would have to be repaid. This change in an accounting estimate is reported as an adjustment to the beginning net assets in the amount of \$347,928.

REQUIRED SUPPLEMENTARY INFORMATION

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Required Supplementary Information

June 30, 2018

Defined Benefit Pension Plan

The District implemented GASB statement 68 during the year ended June 30, 2015 which requires the District to provide a 10-year history for certain pension related amounts. The schedule of Proportionate Share of the Net Pension Liability shows the District's share of various assets and liabilities related to the net pension liability. The Schedule of Contributions shows the District's contractually required contributions, actual amounts contributed and contributions as a percentage of covered payroll. Both schedules show information only for the current and prior years since this is only the fourth of this required information.

Changes in Assumptions

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.5% (which also resulted in a corresponding decrease in the cost -of-living adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retire mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 WEBER BASIN WATER CONSERVANCY DISTRICT
 Utah Retirement Systems
 As of years end December 31st
 Last 10 Fiscal Years

		Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability	2017	0.5489272%	0.0710768%
	2016	0.5360816%	0.0763822%
	2015	0.5093803%	0.0655762%
	2014	0.4890125%	0.0376484%
Proportionate share of the net pension liability (asset)	2017	\$2,405,015	\$6,267
	2016	\$3,442,300	\$8,520
	2015	\$2,882,321	(\$143)
	2014	\$2,123,407	(\$1,411)
Covered payroll	2017	\$4,741,287	\$695,376
	2016	\$4,691,606	\$626,389
	2015	\$4,373,199	\$423,685
	2014	\$4,244,461	\$185,142
Proportionate share of the net pension liability(asset) as a percentage of its	2017	50.7%	0.9%
	2016	73.4%	1.4%
	2015	65.9%	-0.3%
	2014	50.0%	-0.6%
Plan fiduciary net position as a percentage	2017	91.9%	97.4%
	2016	87.3%	95.1%
	2015	87.8%	100.2%
	2014	90.2%	103.5%

*In accordance with paragraph 81.a of GASB 68, the District will need to disclose a 10-year history of its proportionate share of the Net Pension Liability (Asset). The 10-year schedule will need to be built prospectively. The schedule above is only for the current and prior years.

SCHEDULE OF CONTRIBUTIONS
 WEBER BASIN WATER DISTRICT
 Utah Retirement Systems
 As of years end June 30th
 Last 10 Fiscal Years

	As of fiscal year ended June 30	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 735,909	\$ 735,909	-	\$ 4,306,997	17.09%
	2015	\$ 782,576	\$ 782,576	-	\$ 4,286,652	18.26%
	2016	\$ 826,470	\$ 826,470	-	\$ 4,528,222	18.25%
	2017	\$ 870,989	\$ 870,989	-	\$ 4,776,553	18.23%
	2018	\$ 849,315	\$ 849,315	-	\$ 4,614,531	18.41%
Tier 2 Public Employees System*	2014	\$ 20,199	\$ 20,199	-	\$ 144,380	13.99%
	2015	\$ 47,437	\$ 47,437	-	\$ 317,518	14.94%
	2016	\$ 80,436	\$ 80,436	-	\$ 539,478	14.91%
	2017	\$ 94,111	\$ 94,111	-	\$ 631,196	14.91%
	2108	\$ 128,999	\$ 128,999	-	\$ 853,731	15.11%
Tier 2 Public Employees DC Only System	2014	\$ 4,659	\$ 4,659	-	\$ 83,496	5.58%
	2015	\$ 9,518	\$ 9,518	-	\$ 141,639	6.72%
	2016	\$ 14,651	\$ 14,651	-	\$ 218,994	6.69%
	2017	\$ 23,684	\$ 23,684	-	\$ 354,024	6.69%
	2018	\$ 31,129	\$ 31,129	-	\$ 465,300	6.69%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.
 Tier 2 systems were created effective July 1, 2011

** Amounts presented were determined as of fiscal year July 1 - June 30. The District will be required to prospectively develop this table in future years to show 10 - years of information. The schedule above is only for current and prior years.

SUPPLEMENTARY INFORMATION

WEBER BASIN CONSERVANCY DISTRICT
Statement of Assets and Liabilities - By Funds
June 30, 2018

	Total (Memo Only)	General Depository Fund	District Operation and Maintenance Fund	Capital Improvement and Special District Fund	CARR Fund
Assets (other than capital assets):					
Cash	1,007,465	-	778,481	223,476	-
Investments	88,320,894	650	10,417,814	17,864,443	1,065,350
Receivable	1,893,046	-	-	1,893,046	-
Due from other Fund	18,471	-	1,876	16,595	-
Inventory	81,305	-	81,305	-	-
Water stock investment	21,834,668	-	-	21,834,668	-
Insurance deposits	1,603	-	1,603	-	-
Cafeteria plan	27,896	-	27,896	-	-
Net pension asset	-	-	-	-	-
Deferred pension charge	2,085,976	-	2,085,976	-	-
Total other assets	<u>115,271,324</u>	<u>650</u>	<u>13,394,951</u>	<u>41,832,228</u>	<u>1,065,350</u>
Capital assets (note 4):					
Storage and Distribution constructed by the United States Government	104,173,704	-	-	-	-
Capital assets owned by the District	258,854,285	-	-	-	-
Less accumulated depreciation	<u>(86,390,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	<u>276,637,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 391,908,987</u>	<u>\$ 650</u>	<u>\$ 13,394,951</u>	<u>\$ 41,832,228</u>	<u>\$ 1,065,350</u>
Liabilities:					
Accounts payable and accrued liabilities	3,259,860	-	3,078,812	181,098	-
Due to other Funds	20,254	650	17,728	1,876	-
Bond premium and deferred credits	14,947,777	-	1,578,602	-	-
Contracts payable	15,200,073	-	-	388,428	-
Bonds payable	134,069,000	-	-	-	-
Net pension liability	2,411,282	-	2,411,282	-	-
Total liabilities	<u>169,908,246</u>	<u>650</u>	<u>7,086,424</u>	<u>571,402</u>	<u>-</u>
Fund Equity:					
Investment in Capital assets	275,583,391	-	-	-	-
Contributions	2,367,683	-	-	1,313,411	-
Appropriated equity-capital improvement	41,959,254	-	-	39,947,415	1,065,350
Unappropriated equity	<u>(97,909,587)</u>	<u>-</u>	<u>6,308,527</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>222,000,741</u>	<u>-</u>	<u>6,308,527</u>	<u>41,260,826</u>	<u>1,065,350</u>
Total liabilities and fund equity	<u>\$ 391,908,987</u>	<u>\$ 650</u>	<u>\$ 13,394,951</u>	<u>\$ 41,832,228</u>	<u>\$ 1,065,350</u>

United States Obligation Fund	Operation and Maintenance Reserve Fund	Replacement Sinking Fund	Rehabilitation and Betterment Project	Bond Fund	Fixed Asset Fund
5,508	-	-	-	-	-
12,964,457	131,370	815,119	1,246,190	43,815,501	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,969,965</u>	<u>131,370</u>	<u>815,119</u>	<u>1,246,190</u>	<u>43,815,501</u>	<u>-</u>
-	-	-	-	-	104,173,704
-	-	-	-	-	258,854,285
-	-	-	-	-	(86,390,326)
-	-	-	-	-	<u>276,637,663</u>
<u>\$ 12,969,965</u>	<u>\$ 131,370</u>	<u>\$ 815,119</u>	<u>\$ 1,246,190</u>	# <u>\$ 43,815,501</u>	<u>\$ 276,637,663</u>
-	-	-	-	(50)	-
-	-	-	-	-	-
-	-	-	-	13,369,175	-
-	-	-	14,811,645	-	-
-	-	-	-	134,069,000	-
-	-	-	-	-	-
-	-	-	14,811,645	-	-
-	-	-	-	<u>147,438,125</u>	<u>-</u>
-	-	-	-	-	275,583,391
-	-	-	-	-	1,054,272
-	131,370	815,119	-	-	-
<u>12,969,965</u>	<u>-</u>	<u>-</u>	<u>(13,565,455)</u>	<u>(103,622,624)</u>	<u>-</u>
<u>12,969,965</u>	<u>131,370</u>	<u>815,119</u>	<u>(13,565,455)</u>	<u>(103,622,624)</u>	<u>276,637,663</u>
<u>\$ 12,969,965</u>	<u>\$ 131,370</u>	<u>\$ 815,119</u>	<u>\$ 1,246,190</u>	<u>\$ 43,815,501</u>	<u>\$ 276,637,663</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Cash Receipts and Disbursements - By Funds

June 30, 2018

	Total (Memo Only)	General Depository Fund	District Operation and Maintenance Fund
Cash balance - July 1,2017	449,978	-	194,803
Receipts:			
Replacement water sales	3,767,620	-	2,039,129
Municiple water sales	9,659,083	-	4,582,724
Water sales to companies	871,528	-	474,646
Irrigation water sales	10,899,656	-	5,330,913
Ad valorem taxes and fee in lieu of taxes	10,014,893	-	-
Power, fisn and wildlife credits	936,213	-	936,213
Micellaneous receipts	9,092,859	-	288,172
Transferred from other funds	24,238,299	-	3,000,000
Debt issued	46,600,000	-	-
Interest earned	1,175,183	-	216,238
Sale of investments	248,415	-	-
Total receipts and beginning balance	<u>117,953,727</u>	<u>-</u>	<u>17,062,838</u>
Disbursements:			
Salaries	6,206,252	-	6,206,252
Payroll taxes and fringe benefits	3,540,906	-	3,540,906
Utilities	211,936	-	211,936
Maintenance and repairs	7,064,198	-	2,985,677
Sundry and other operating expense	5,813,590	-	2,682,065
Interest	5,411,366	-	-
Purchase of investments (net)	29,736,241	-	609,483
Capital expenditures	5,208,921	-	48,038
Transfer to other funds	24,238,299	-	-
Payment on long-term debt	28,391,328	-	-
Reduction in premiums and deferred credits	-	-	-
Purchase of water stock	1,123,225	-	-
Total disbursements	<u>116,946,262</u>	<u>-</u>	<u>16,284,357</u>
Cash balance - June 30,2018	<u>1,007,465</u>	<u>-</u>	<u>778,481</u>

Capital Improvement and Special District Fund	CARR Fund	United States Obligation Fund	Operation and Maintenance Reserve Fund	Replacement Sinking Fund	Rehabilitation and Betterment Project	Bond Fund
253,187	-	1,988	-	-	-	-
490,633	536,130	-	-	-	-	701,728
173,775	880,371	-	-	-	534,247	3,487,966
12,780	49,085	-	-	-	92,734	242,283
1,702,990	1,667,287	-	-	-	-	2,198,466
-	-	10,014,893	-	-	-	-
-	-	-	-	-	-	-
2,145,886	10,000	-	-	-	-	6,648,801
5,000,000	-	13,644,409	-	28,890	-	2,565,000
-	-	-	-	-	-	46,600,000
299,000	27,692	233,627	2,394	14,483	20,620	361,129
-	-	247,919	496	-	-	-
<u>10,078,251</u>	<u>3,170,565</u>	<u>24,142,836</u>	<u>2,890</u>	<u>43,373</u>	<u>647,601</u>	<u>62,805,373</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,078,521	-	-	-	-	-	-
787,178	5,215	-	-	-	-	2,339,132
-	-	-	-	-	-	5,411,366
1,833,547	1,065,350	-	-	43,373	122,601	26,061,887
2,032,304	-	-	-	-	-	3,128,579
-	2,100,000	8,491,000	2,890	-	-	13,644,409
-	-	15,646,328	-	-	525,000	12,220,000
-	-	-	-	-	-	-
<u>1,123,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,854,875</u>	<u>3,170,565</u>	<u>24,137,328</u>	<u>2,890</u>	<u>43,373</u>	<u>647,601</u>	<u>62,805,373</u>
-	-	-	-	-	-	-
<u>223,476</u>	<u>-</u>	<u>5,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Insurance Policies in Force

June 30, 2018

<u>Carrier</u>		<u>Expiration</u>			
<u>Date</u>	<u>Line of Insurance</u>		<u>Coverage</u>	<u>Limits</u>	
American Alternative Insurance Company (A XV)		06/01/2019	Property	Buildings & Personal Property Underground Wells Extra Expense Contractor's Equipment Earthquake Flood	\$117,982,104 21,913,673 1,000,000 1,436,200 5,000,000 5,000,000
American Alternative Insurance Company (A XV)		06/01/2019	Boiler and Machinery	Limit per Breakdown Utility Interruption Damage Ordinance or Law	\$ 1,000,000 100,000 500,000
American Alternative Insurance Company (A XV)		06/01/2019	Crime	Public Employee Dishonesty Forgery Theft Disappearance & Destruction - Inside/Outside Computer Fraud	\$ 250,000 250,000 250,000 100,000
Endurance American Specialty (A XV)		06/01/2019	Excess Earthquake and Flood	Per Occurrence in Excess of \$5,000,000 Underlying Primary Policy Annual Aggregate as Respects Earthquake and Flood	\$ 15,000,000 15,000,000
American Alternative Insurance (A+XV)		06/01/2019	Commercial Liability	General Aggregate Products and Completed Operations Aggregate Personal and Advertising Injury Each Occurrence Damage to Premises Rented to you Medical Expense (Any One Person) Management Liability General Aggregate Each Wrongful Act	\$ 3,000,000 3,000,000 1,000,000 1,000,000 1,000,000 10,000 3,000,000 1,000,000
American Alternative Insurance (A+XV)		06/01/2019	Commercial Auto	Liability Limit (61 units per schedule) Uninsured Motorist Underinsured Motorist Hired Auto Physical Damage	\$ 1,000,000 1,000,000 1,000,000 50,000
American Alternative Insurance (A+XV)		06/01/2019	Excess Liability	Each Occurrence Aggregate	\$ 10,000,000 10,000,000
Travelers Excess Casualty (A+XV)		06/01/2019	Excess Liability	Each Occurrence Aggregate	\$ 10,000,000 10,000,000
Travelers Casualty & Surety Co of America (A+XIV)		06/30/2019	Treasury Subordinates Bond	Public Official Bond	\$ 1,500,000
Old Republic Surety Company		08/03/2019	Public Official	Bond	\$ 1,000
Western Surety Company		06/15/2019	Notary Error and Omission	Bond	\$ 25,000

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2000A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Debt Service Fund	Service Reserve Fund
Cash balance - June 30, 2017	\$ 50,295	25,268	25,027
Receipts	25,653	25,219	434
Disbursements	<u>25,411</u>	<u>25,000</u>	<u>411</u>
Cash balance - June 30, 2018	\$ <u><u>50,537</u></u>	<u><u>25,487</u></u>	<u><u>25,050</u></u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2007A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2017	\$ 19,011	19,011
Receipts	16,363,419	16,363,419
Disbursements	<u>16,382,430</u>	<u>16,382,430</u>
Cash balance - June 30, 2018	\$ <u><u>-</u></u>	<u><u>-</u></u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2007B
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund	Reserve Fund
Cash balance - June 30, 2017	\$ 384,483	182,483	202,000
Receipts	207,675	204,157	3,518
Disbursements	<u>183,518</u>	<u>180,000</u>	<u>3,518</u>
Cash balance - June 30, 2018	\$ <u>408,640</u>	<u>206,640</u>	<u>202,000</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2009A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund	Reserve Fund
Cash balance - June 30, 2017	\$ 2,642,582	1,291,957	1,350,625
Receipts	197,320	193,704	3,616
Disbursements	<u>2,839,902</u>	<u>1,485,661</u>	<u>1,354,241</u>
Cash balance - June 30, 2018	\$ <u> -</u>	<u> -</u>	<u> -</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2009B
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund	Reserve Fund
Cash balance - June 30, 2017	\$ 2,093,010	524,510	1,568,500
Receipts	903,132	875,929	27,203
Disbursements	<u>1,048,363</u>	<u>1,021,160</u>	<u>27,203</u>
Cash balance - June 30, 2018	\$ <u>1,947,779</u>	<u>379,279</u>	<u>1,568,500</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2009C
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Bond <u>Fund</u>	Reserve <u>Fund</u>
Cash balance - June 30, 2017	\$ 199,135	96,147	102,988
Receipts	810,174	809,899	275
Disbursements	<u>1,009,309</u>	<u>906,046</u>	<u>103,263</u>
Cash balance - June 30, 2018	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2010A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Bond <u>Fund</u>	Reserve <u>Fund</u>
Cash balance - June 30, 2017	\$ 1,853,987	1,064,315	789,672
Receipts	1,015,099	1,001,349	13,750
Disbursements	<u>1,060,049</u>	<u>1,060,049</u>	<u>-</u>
Cash balance - June 30, 2018	\$ <u>1,809,037</u>	<u>1,005,615</u>	<u>803,422</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2012A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2017	\$ 62,294	62,294
Receipts	772,014	772,014
Disbursements	<u>781,150</u>	<u>781,150</u>
Cash balance - June 30, 2018	\$ <u>53,158</u>	<u>53,158</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2013A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund	Reserve Fund
Cash balance - June 30, 2017	\$ 57,931	41,314	16,617
Receipts	46,247	41,568	4,679
Disbursements	<u>41,101</u>	<u>41,101</u>	<u>-</u>
Cash balance - June 30, 2018	<u>\$ 63,077</u>	<u>41,781</u>	<u>21,296</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2013B
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2017	\$ 617,961	617,961
Receipts	1,215,290	1,215,290
Disbursements	<u>1,225,064</u>	<u>1,225,064</u>
Cash balance - June 30, 2018	<u>\$ 608,187</u>	<u>608,187</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2015A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Bond <u>Fund</u>
Cash balance - June 30, 2017	\$ 1,559,093	1,559,093
Receipts	2,639,985	2,639,985
Disbursements	<u>2,185,962</u>	<u>2,185,962</u>
Cash balance - June 30, 2018	<u>\$ 2,013,116</u>	<u>2,013,116</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2015B
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Project <u>Fund</u>	Bond <u>Fund</u>	Revenue <u>Fund</u>
Cash balance - June 30, 2017	\$ 2,192,414	1,614,707	431,953	145,754
Receipts	501,675	20,885	430,252	50,538
Disbursements	<u>964,041</u>	<u>533,683</u>	<u>430,358</u>	<u>-</u>
Cash balance - June 30, 2018	<u>\$ 1,730,048</u>	<u>1,101,909</u>	<u>431,847</u>	<u>196,292</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2017A
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Project <u>Fund</u>	Bond <u>Fund</u>	CIF <u>Fund</u>
Cash balance - June 30, 2017	\$ -	-	-	-
Receipts	73,047,215	42,114,269	28,193,055	2,739,891
Disbursements	<u>61,231,773</u>	<u>31,829,983</u>	<u>27,302,754</u>	<u>2,099,036</u>
Cash balance - June 30, 2018	<u>\$ 11,815,442</u>	<u>10,284,286</u>	<u>890,301</u>	<u>640,855</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2017B
 Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Bond <u>Fund</u>
Cash balance - June 30, 2017	\$ -	-
Receipts	1,135,003	1,135,003
Disbursements	<u>1,134,976</u>	<u>1,134,976</u>
Cash balance - June 30, 2018	<u>\$ 33</u>	<u>33</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

General Obligation Bonds Series 2017A & B
Statement of Cash Receipts and Disbursements

June 30, 2018

	Total (Memo <u>Only</u>)	Bond <u>Fund</u>
Cash balance - June 30, 2017	\$ -	-
Receipts	14,116,990	14,116,990
Disbursements	<u>13,890,368</u>	<u>13,890,368</u>
Cash balance - June 30, 2018	\$ <u>226,622</u>	<u>226,622</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Investments

June 30, 2018

Current assets investments:			
General depository fund:			
Key Bank			\$ 650
Operation and Maintenance fund:			
State Treasurers Investment Pool			10,417,814
Special District fund:			
Zions Securities	\$ 5,071,754		
State Treasurers Investment Pool	12,675,592		
Bank of Utah	<u>117,097</u>		17,864,443
Carr fund:			
State Treasurers Investment Pool			1,065,350
R and B fund:			
State Treasurers Investment Pool			<u>1,246,190</u>
Total current investments			<u>\$ 30,594,447</u>
Sinking fund and reserve fund asset investments:			
Extra-ordinary Operation and Maintenance fund:			
State Treasurers Investment Pool			\$ 131,370
Replacement Sinking fund:			
State Treasurers Investment Pool			815,119
United States Obligation fund:			
Moreton Capital	\$ 5,026,205		
State Treasurers Investment Pool	5,598,252		
CUWCD Bonds	<u>2,340,000</u>		12,964,457
Bond fund:			
Zions Bank	36,872,813		
State Treasurers Investment Pool	<u>6,942,688</u>		<u>43,815,501</u>
Total sinking fund and reserve fund asset investments			<u>\$ 57,726,447</u>



Independent Auditors' Report on Compliance and on
Internal Controls Over Compliance in Accordance With the
State of Utah Legal Compliance Audit Guide

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

REPORT ON COMPLIANCE

We have audited Weber Basin Water Conservancy District's compliance with the general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2018.

The general compliance requirements applicable to the District are identified as follows:

- Compliance Audit Planning Procedures
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Restricted Taxes and Related Matters
- Open and Public Meetings Act
- Treasurer's Bond
- Impact fees

The District did not receive any major assistance programs from the State of Utah during the year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District's and its major programs 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, Weber Basin Water Conservancy District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of 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.

Christensen, Palmer & Ambrose P.C.



Independent Auditors' 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*

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, 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 statements of Weber Basin Water Conservancy District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Weber Basin Water Conservancy District's internal control over financial reporting 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 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*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

Christensen, Palmer + Ambrose P.C.

October 18, 2018

298 24th Street, Suite 300 • Ogden, UT 84401 • Phone: 801.627.2060 • Fax: 801.627.2182 • www.ogden-cpas.com



Independent Auditors' Water Conservancy Revenue Bonds -
Series 2000A, 2007B, 2009B,
2010A, 2012A, 2013A, 2013B, 2015A, 2015B, 2017A, and 2017B
Resolution Compliance Report

Zions Bank
Bond Trustee

We have audited the financial statements of Weber Basin Water Conservancy District for the year ended June 30, 2018 and have issued our report thereon dated October 18, 2018. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Basin Water Conservancy District as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with provisions of the Water Conservancy Revenue Bond Series 2000A, 2007B, 2009B, 2010A, 2012A, 2013A, 2013B, 2015A, 2015B, 2017A and 2017B Resolution in so far as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

We found the District's net revenues and other available funds for the year ended June 30, 2018 exceeded the rate covenant requirement for the year.

This report is intended solely for the information and use of the Bond Trustees and should not be used for any other purpose.

Christensen, Palmer & Ambrose P.C.



Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

Report on Compliance for Each Major Federal Program

We have audited Weber Basin Water Conservancy District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Weber Basin Water Conservancy District's major federal programs for the year ended June 30, 2018. Weber Basin Water Conservancy District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Weber Basin Water Conservancy District's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Weber Basin Water Conservancy 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 major federal program. However, our audit does not provide a legal determination of Weber Basin Water Conservancy District's compliance.

Opinion on Each Major Federal Program

In our opinion, Weber Basin Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Weber Basin Water Conservancy District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Weber Basin Water Conservancy District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Weber Basin Water Conservancy 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 detect and correct, noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Christensen, Palmer & Ambrose P.C.

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unmodified opinion.
2. No conditions in internal control over financial reporting were required to be reported.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No conditions in internal control over compliance with requirements applicable to major federal awards programs were required to be reported.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unmodified opinion.
6. The audit disclosed no findings required to be reported by the Uniform Guidance.
7. The major federal programs of the organization for the year ended June 30, 2018 are as follows:

<u>Program</u>	<u>CFDA#</u>	<u>Expenditures</u>
Water Smart Grant	15.507	\$ 591,810

8. A threshold of \$750,000 was used to distinguish between Type A and Type B programs as those terms are defined in The Uniform Guidance.
9. The organization did not qualify as a low risk auditee as that term is defined in the Uniform Guidance.

II. FINANCIAL STATEMENTS FINDINGS SECTION

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

None

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Interior		
Direct program:		
Water Reclamation and Reuse	15.504	\$ 8,715
Watersmart Grants	15.507	591,810
State Emergency Drought Relief	15.514	<u>58,809</u>
Total Department of Interior		<u>659,334</u>
Department of Homeland Security		
Passed through Utah Department of Public Safety		
Hazard Mitigation Grant	97.039	221,420
Pre-Disaster Mitigation	97.047	<u>144,743</u>
Total Department of Homeland Security		<u>366,163</u>
Total Financial Assistance		<u>\$ 1,025,497</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. **General** - The accompanying schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of Weber Basin Water Conservancy District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
2. **Basis of Accounting** - The accompanying Supplementary Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.
3. **Noncash Federal Awards** - Noncash federal awards, if applicable, represent commodities consumed during the year, expressed at market value. Noncash federal financial assistance is calculated by multiplying the per unit fair market value by the net commodities consumed.
4. **Indirect Cost Rate** - The District has elected not to use the 10% de minimis indirect cost rate under the Uniform Guidance.