

Big Plains Water & Sewer Special Service District

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018

Big Plains Water & Sewer Special Service District

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June 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

As management of Big Plains Water & Sewer Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- *Total net position for the District increased by \$191,315
- *Total unrestricted net position for the District decreased by \$68,654
- *Operating revenues increased by \$5,171
- *Operating expenses increased by \$19,317

BASIC FINANCIAL STATEMENTS

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for the operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
 June 30, 2018

FINANCIAL ANALYSIS

Big Plains Water & Sewer Special Service District's Net Position

	Current Year	Previous Year	Change
Current and other assets	\$ 315,264	38,455	276,809
Non-current assets	5,841,373	5,470,445	370,928
Total assets	6,156,637	5,508,900	647,737
Other liabilities	189,896	51,384	138,512
Long-term liabilities outstanding	5,256,334	4,938,424	317,910
Total liabilities	5,446,230	4,989,808	456,422
Net position:			
Net investment in capital assets	618,040	441,898	176,142
Restricted	214,951	131,124	83,827
Unrestricted	(122,584)	(53,930)	(68,654)
Total net position	\$ 710,407	519,091	191,315

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and exceeded total liabilities at the close of the year by \$710,407, an increase of \$191,315 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is a deficit of \$122,584, which represents a decrease of \$68,654 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2018

FINANCIAL ANALYSIS (continued)

Big Plains Water & Sewer Special Service District's Change in Net Position

	Current Year	Previous Year	Change
Operating income:			
Service income	\$ 223,727	270,410	(46,683)
Connection fees	21,650	11,700	9,950
Other operating income	41,904	-	41,904
Total operating income	287,281	282,110	5,171
Operating expenses:			
Utilities	16,808	12,953	3,855
Repair and maintenance	17,997	28,090	(10,093)
Professional services	107,161	83,435	23,726
Other supplies and expenses	9,259	8,400	859
Insurance expense	4,241	3,711	530
Depreciation expense	117,195	116,756	439
Total operating expense	272,662	253,346	19,317
Net operating income (loss)	14,619	28,764	(14,146)
Non-operating income (expense):			
Impact fees	36,000	22,600	13,400
Grants	243,125	42,000	201,125
Interest income	1,710	514	1,196
Legal fee expenses	(11,410)	(10,001)	(1,409)
Interest on long-term debt	(92,730)	(93,649)	919
Total non-operating income (expense)	176,696	(38,536)	215,232
Change in net position	\$ 191,315	(9,772)	201,087

Service income decreased by \$46,683. Connection fees increased by \$9,950. Other operating income increased by \$41,904.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by \$439. The largest single increase in operating expenses was for professional services in the amount of \$23,726.

Impact fees increased by \$13,400 and grants increased by \$201,125.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
 June 30, 2018

BUDGETARY HIGHLIGHTS

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	Original	Amended	Actual
Revenues	\$ 1,038,725	1,159,625	568,116
Expenses	297,240	403,840	376,801
Net income	\$ 741,485	755,785	191,315

CAPITAL ASSETS AND DEBT ADMINISTRATION

Big Plains Water & Sewer Special Service District's Capital Assets

	Current Year	Previous Year	Change
Net Capital Assets:			
Land	\$ 21,507	21,507	-
Water rights	996,483	996,483	-
Machinery and equipment	36,952	36,352	600
Water systems	5,237,926	4,585,547	652,379
Construction in progress	-	33,733	(33,733)
Total	6,292,868	5,673,621	619,247
Less accumulated depreciation	(451,495)	(334,300)	(117,195)
Net Capital Assets	\$ 5,841,373	5,339,321	502,052

The total amount of net capital assets of \$5,841,373 is an increase of \$502,052 from the previous year.

The amount of increase in net capital assets represents the amount that investment in new capital assets exceeded depreciation charged on capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
 June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Big Plains Water & Sewer Special Service District's Outstanding Debt

	Current Year	Previous Year	Change
Business-type activities:			
2004 F-250 Truck Lease	\$ -	4,793	(4,793)
2016 Aquafer Study	33,000	41,000	(8,000)
2018 Water Bond Series A	88,000	-	88,000
2012 Water Project	2,200,000	2,285,000	(85,000)
2018 Water Bond Series B	362,000	-	362,000
2015 Water Bond 02	290,633	294,159	(3,526)
2015 Water Bond 01	2,282,701	2,313,472	(30,771)
Total business-type	5,256,334	4,938,424	317,910
Total outstanding debt	\$ 5,256,334	4,938,424	317,910

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the District are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Big Plains Water & Sewer Special Service District, 688 N Paradise Ln, Bldg A, Apple Valley, UT 84737.

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BASIC FINANCIAL STATEMENTS

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Big Plains Water & Sewer Special Service District
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2018

	Utility Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	45,548
Due from other governments	54,765
Total current assets	100,313
Non-current assets:	
Restricted cash and cash equivalents	214,951
Capital assets:	
Not being depreciated	1,017,990
Net of accumulated depreciation	4,823,383
Total non-current assets	6,056,325
Total assets	\$ 6,156,637
LIABILITIES:	
Current liabilities:	
Checks written in excess of unrestricted cash balance	\$ 25,864
Accounts payable	120,462
Accrued liabilities	6,712
Customer deposits	8,100
Accrued interest payable	4,310
Due to other governments	24,448
Revenue bonds, current portion	145,535
Total current liabilities	335,431
Non-current liabilities:	
Revenue bonds, long-term	5,110,799
Total non-current liabilities	5,110,799
Total liabilities	5,446,230
NET POSITION:	
Net investment in capital assets	618,040
Restricted	214,951
Unrestricted	(122,584)
Total net position	710,407
Total liabilities and net position	\$ 6,156,637

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the year ended June 30, 2018

	Utility Fund
Operating income:	
Charges for sales and service	\$ 223,727
Connection fees	21,650
Other operating income	41,904
Total operating income	287,281
Operating expenses:	
Utilities	16,808
Repair and maintenance	17,997
Professional services	107,161
Other supplies and expenses	9,259
Insurance expense	4,241
Depreciation expense	117,195
Total operating expense	272,662
Net operating income (loss)	14,619
Non-operating income (expense):	
Impact fees	36,000
Grants	243,125
Interest income	1,710
Legal fee expenses	(11,410)
Interest on long-term debt	(92,730)
Total non-operating income (expense)	176,696
Change in net position	191,315
Net position - beginning	519,092
Net position - ending	\$ 710,407

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 370,229
Cash paid to suppliers	(75,813)
Net cash provided (used) in operating activities	<u>294,416</u>
Cash flows from noncapital financing activities:	
Change in due to/from other governments	(120,357)
Change in customer deposits	8,100
Net cash provided (used) in noncapital financing activities	<u>(112,257)</u>
Cash flows from capital and related financing activities:	
Cash received from impact fees	36,000
Cash received from grants	243,125
Cash received from bonds issued	450,000
Cash payments for capital assets	(619,247)
Cash payments for legal fees	(11,410)
Cash payments for long-term debt principal	(132,090)
Cash payments for long-term debt interest	(92,284)
Net cash provided (used) in capital and related financing activities	<u>(125,906)</u>
Cash flows from investing activities:	
Cash received from interest earned	1,710
Net cash provided (used) in investing activities	<u>1,710</u>
Net increase (decrease) in cash	57,963
Cash balance - beginning	<u>131,124</u>
Cash balance - ending	<u>\$ 189,087</u>
Cash reported on the statement of net position:	
Cash and cash equivalents	\$ -
Checks written in excess of unrestricted cash balance	(25,864)
Non-current restricted cash	214,951
Total cash and cash equivalents	<u>\$ 189,087</u>

(The Statement of Cash Flows continues on the following page)

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
STATEMENT OF CASH FLOWS (continued)
For the year ended June 30, 2018

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	<u>Utility Fund</u>
Net operating income (expense)	\$ 14,619
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	117,195
Changes in assets and liabilities:	
(Increase) decrease in receivables	82,948
Increase (decrease) in payables and accrued liabilities	<u>79,654</u>
Net cash provided (used) in operating activities	<u><u>\$ 294,416</u></u>

The notes to the financial statements are an integral part of this statement.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Big Plains Water & Sewer Special Service District (the District), a special service district located in Washington County, Utah, was organized for the purpose of providing culinary water service and sewer service to the residents of the District. The District operates under the direction of a Board of Trustees. All trustees are appointed by the Town of Apple Valley Mayor.

The District is a component unit of the Town of Apple Valley, Utah. For fiscal years up to and including the year ended June 30, 2018 the Town has managed water billings and related collections on behalf of the District. In those same years, the District has contracted with the Town to have Town personnel provide accounting services to the District.

1-B. Financial statements

The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

1-C. Measurement focus, basis of accounting and financial statement presentation

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net position (total assets and deferred out flows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the full accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1-E-1. Deposit and Investments

Cash includes cash on hand, demand deposits with bank and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The District's policy allows for investment in fund in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

1-E-2. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than intergovernmental receivables are from customers primarily for utility services. Intergovernmental receivables are considered collectible. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the statement of net position because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. Inventories and Prepaid items

Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets, and are reported in the statement of net position. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts.

Property, plant, and equipment of the primary government, as well as the component unit, if any, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Distribution and collection system	40
Equipment	5-20

1-E-7. Long-term Obligations

In the proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the proprietary fund statement of net position. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

1-E-8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended June 30, 2018, the District did not have deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes include 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 so will not be recognized as an inflow of resources (revenue) until then. For the year ended June 30, 2018, the District did not have deferred inflows of resources.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

1-E-9. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1-F. Tax abatements

The District has not entered into any tax abatement agreements and the District is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the District's tax revenues.

1-G. Estimates

GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

A capital budget is also adopted by the board of trustees which identifies planned capital asset additions and requirements for long-term debt service principal payments, as well as the plan for financing these items.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2018 consist of the following:

	<u>Fair Value</u>
Demand deposits	\$ (21,102)
Investments - PTIF	210,189
Total cash	<u>\$ 189,087</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ (25,864)
Restricted cash and cash equivalents (non-current)	214,951
Total cash and cash equivalents	<u>\$ 189,087</u>

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The District maintains monies not immediately needed for expenditure in PTIF accounts. A copy of the financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer.

As of June 30, 2018, the District had the following investments, ratings, and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Utah Public Treasurer's Investment Fund	\$ 210,189	N/A	51.96
Total Fair Value	<u>\$ 210,189</u>		

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

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

3-A. Deposits and investments (continued)

Fair value of investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2018, the District had \$210,189 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the District are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2018, all of the District's demand deposits are covered by FDIC insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

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. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the District's funds are shown below:

	Utility Fund
Due from Apple Valley Town	\$ 54,765
Total receivables	\$ 54,765

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-C. Capital assets

Capital asset activity for the business-type activities was as follows:

Business-type activities	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital assets, not being depreciated:				
Land	\$ 21,507	-	-	21,507
Water rights	996,483	-	-	996,483
Construction in progress	33,733	617,729	651,462	-
Total capital assets, not being depreciated	1,051,723	617,729	651,462	1,017,990
Capital assets, being depreciated:				
Distribution and collection systems	4,585,547	652,379	-	5,237,926
Equipment	36,352	600	-	36,952
Total capital assets, being depreciated	4,621,899	652,979	-	5,274,878
Less accumulated depreciation for:				
Distribution and collection systems	326,830	115,355	-	442,186
Equipment	7,470	1,839	-	9,309
Total accumulated depreciation	334,300	117,195	-	451,495
Total capital assets being depreciated, net	4,287,599	535,785	-	4,823,383
Business-type activities capital assets, net	\$ 5,339,321	1,153,514	651,462	5,841,373

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

3-D. Long-term liabilities

Long-term debt activity for business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2004 F-250 Truck Lease							
Matures 6/25/2018	\$ 18,000	4.00	\$ 4,793	-	4,793	-	-
2016 Aquafer Study							
Matures 10/1/2021	41,000	-	41,000	-	8,000	33,000	8,000
2018 Water Bond Series A							
Matures 10/1/2037	88,000	-	-	88,000	-	88,000	4,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,285,000	-	85,000	2,200,000	85,000
2018 Water Bond Series B							
Matures 5/1/2048	362,000	1.00	-	362,000	-	362,000	13,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	294,159	-	3,526	290,633	3,669
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,313,472	-	30,771	2,282,701	31,865
Total business-type activity long-term liabilities			\$ 4,938,424	450,000	132,090	5,256,334	145,535

Debt service requirements to maturity for business-type activities are as follows:

For the year ending June 30,	Principal	Interest	Total
2019	\$ 145,535	94,565	240,100
2020	143,818	93,152	236,970
2021	147,147	91,723	238,870
2022	147,524	90,236	237,760
2023	140,952	88,698	229,650
2024-2028	726,039	418,561	1,144,600
2029-2033	777,312	371,478	1,148,790
2034-2038	832,200	315,600	1,147,800
2039-2043	876,383	249,317	1,125,700
2044-2048	614,872	170,558	785,430
2049-2053	554,068	78,332	632,400
2054-2055	150,484	3,504	153,988
Total	\$ 5,256,334	2,065,724	7,322,058

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-E. Capital lease

The District acquired a truck through capital lease. Amortization of the truck under capital lease is included in depreciation expense. The cost of the truck at acquisition amounted to \$18,500. Depreciation accumulated since acquisition amounts to \$3,738, leaving a carrying value as of June 30, 2018 of \$14,762.

Lease payments are included in the schedules of long-term debt in Note 3-D. The capital lease was paid in full during the year.

3-F. Restricted net position

At June 30, 2018, the District's restricted net position is as follows:

Business-type:	
Net investment in capital assets	\$ 618,040
Impact fees	24,062
Bond fund	58,809
Reserve fund	86,409
Capital facility replacement	45,672
Unrestricted	<u>(122,584)</u>
Total net position	<u>\$ 710,407</u>

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The District is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

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OTHER SUPPLEMENTARY INFORMATION

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Big Plains Water & Sewer Special Service District
OTHER SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2018

This information is required by one of the Big Plains Water and Sewer Special Service District's bondholders to be included in the notes to the financial statements. It is not otherwise a required item for disclosure.

Insurance Coverage

The Big Plains Water and Sewer Special Service District was insured for General Liability and Auto by the Utah Local Government Trust as of June 30, 2018. The following is a summary of the relevant coverages at June 30, 2018:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2019
Auto Bodily Injury	2,000,000	9/30/2019
Auto Property Damage	2,000,000	9/30/2019
Personal Injury Protection	As State Requires	9/30/2019
Underinsured Motorist	80,000	9/30/2019
Uninsured Motorist	80,000	9/30/2019
Pollution Exclusion Endorsement	50,000	9/30/2019
No Fault Sewer Cleanup	5,000	9/30/2019

Water System Cutomers and Connections

Customers	466
Connections	352
 Total revenues billed	 \$ 223,727

Schedule of Water Rates

	<u>Cost Per 1,000 Gallons:</u>	
Water - Base of \$29.00	5,000	\$ 1.50
	5,001-12,000	\$ 1.75
	12,001-25,000	\$ 2.00
	25,001-35,000	\$ 2.25
	35,001-45,000	\$ 2.50
	45,001+	\$ 2.75

Established Funds and Balances

Impact fees	\$ 24,062
Bond Fund	58,809
Reserve Fund	86,409
Capital Facilities Replacement Fund	45,672

Governing Body

Harold Merritt	Chairman
Neil Duncan	Secretary
Robert Campbell	Treasurer
Ross Gregerson	Board Member
Trevor Black	Board Member