

Big Plains Water & Sewer Special Service District

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

Big Plains Water & Sewer Special Service District

TABLE OF CONTENTS

June 30, 2019

	<u>Beginning on page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	11
Fund Financial Statements:	
Statement of Net Position - Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Notes to Financial Statements	17
OTHER SUPPLEMENTARY INFORMATION	27
Disclosures Required by Bond Covenant	29
OTHER COMMUNICATIONS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State Compliance Audit Guide</i>	33
Findings and Recommendations	37
Responses to Findings	39

This page intentionally left blank.



Independent Auditors' Report

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Big Plains Water & Sewer Special Service District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Big Plains Water & Sewer Special Service District, as of June 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient 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 Big Plains Water & Sewer Special Service District’s basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2020, on our consideration of the Big Plains Water & Sewer Special Service 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 Big Plains Water & Sewer Special Service District’s internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
February 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
June 30, 2019

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, 2019.

FINANCIAL HIGHLIGHTS

- *Total net position for the District increased by \$109,023
- *Total unrestricted net position for the District increased by \$49,579
- *Operating revenues increased by \$5,545
- *Operating expenses increased by \$49,695

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, 2019

FINANCIAL ANALYSIS

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

	Current Year	Previous Year	Change
Current and other assets	\$ 301,014	315,264	(14,250)
Non-current assets	5,717,739	5,841,373	(123,634)
Total assets	6,018,753	6,156,637	(137,884)
Other liabilities	105,608	189,896	(84,288)
Long-term liabilities outstanding	5,110,799	5,256,334	(145,535)
Total liabilities	5,216,407	5,446,230	(229,823)
Net position:			
Net investment in capital assets	631,941	618,040	13,901
Restricted	243,411	214,951	28,460
Unrestricted	(73,005)	(122,584)	49,579
Total net position	\$ 802,346	710,407	78,038

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$802,346, an increase of \$109,023 from the previous year after a prior period adjustment of \$17,083 (See Note 1-H.). 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 \$73,005, which represents an increase of \$49,579 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, 2019

FINANCIAL ANALYSIS (continued)

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

	Current Year	Previous Year	Change
Operating income:			
Service income	\$ 222,115	223,727	(1,612)
Connection fees	34,888	21,650	13,238
Other operating income	35,823	41,904	(6,081)
Total operating income	292,826	287,281	5,545
Operating expenses:			
Wages	69,141	-	69,141
Benefits	37,676	-	37,676
Utilities	10,591	16,808	(6,217)
Repair and maintenance	35,382	17,997	17,385
Professional services	17,327	107,161	(89,834)
Other supplies and expenses	13,582	9,259	4,323
Insurance expense	4,644	4,241	403
Depreciation expense	134,013	117,195	16,818
Total operating expense	322,356	272,661	49,695
Net operating income (loss)	(29,530)	14,620	(44,150)
Non-operating income (expense):			
Impact fees	197,573	36,000	161,573
Grants	38,000	243,125	(205,125)
Interest income	3,136	1,710	1,426
Legal fee expenses	(5,549)	(11,410)	5,861
Interest on long-term debt	(94,608)	(92,730)	(1,878)
Total non-operating income (expense)	138,552	176,695	(38,143)
Change in net position	\$ 109,023	191,315	(82,293)

Service income decreased by \$1,612. Connection fees increased by \$13,238. Other operating income decreased by \$6,081.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by \$16,818. The largest single increase in operating expenses was for wages in the amount of \$69,141. Professional services decreased by \$89,834 during the year.

Impact fees increased by \$161,573 and grants decreased by \$205,125.

Big Plains Water & Sewer Special Service District
Management's Discussion and Analysis
 June 30, 2019

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	\$ 536,662	536,662	531,535
Expenses	394,071	388,740	422,512
Net income	\$ 142,591	147,922	109,023

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	42,132	36,952	5,180
Water systems	5,238,445	5,237,926	519
Construction in progress	4,680	-	4,680
 Total	 6,303,247	 6,292,868	 10,379
 Less accumulated depreciation	 (585,508)	 (451,495)	 (134,013)
 Net Capital Assets	 \$ 5,717,739	 5,841,373	 (123,634)

The total amount of net capital assets of \$5,717,739 is a decrease of \$123,634 from the previous year.

The amount of decrease in net capital assets represents the amount that depreciation charged on capital assets exceeded new investment in 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, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

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

	Current Year	Previous Year	Change
Business-type activities:			
2016 Aquafer Study	\$ 25,000	33,000	(8,000)
2018 Water Bond Series A	84,000	88,000	(4,000)
2012 Water Project	2,115,000	2,200,000	(85,000)
2018 Water Bond Series B	349,000	362,000	(13,000)
2015 Water Bond 02	286,963	290,633	(3,669)
2015 Water Bond 01	2,250,836	2,282,701	(31,865)
Total business-type	5,110,799	5,256,334	(145,535)
Total outstanding debt	\$ 5,110,799	5,256,334	(145,535)

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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Big Plains Water & Sewer Special Service District
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2019

	<u>Utility Fund</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Due from other governments	57,603
Total current assets	<u>57,603</u>
Non-current assets:	
Restricted cash and cash equivalents	243,411
Capital assets:	
Not being depreciated	1,022,670
Net of accumulated depreciation	4,695,069
Total non-current assets	<u>5,961,150</u>
Total assets	<u><u>\$ 6,018,753</u></u>
LIABILITIES:	
Current liabilities:	
Checks written in excess of unrestricted cash balance	\$ 65,123
Accounts payable	27,625
Accrued liabilities	3,280
Customer deposits	5,000
Accrued interest payable	4,310
Due to other governments	270
Revenue bonds, current portion	143,818
Total current liabilities	<u>249,426</u>
Non-current liabilities:	
Revenue bonds, long-term	4,966,981
Total non-current liabilities	<u>4,966,981</u>
Total liabilities	<u>5,216,407</u>
NET POSITION:	
Net investment in capital assets	631,941
Restricted	243,411
Unrestricted	(73,005)
Total net position	<u>802,346</u>
Total liabilities and net position	<u><u>\$ 6,018,753</u></u>

The notes to the financial statements are in 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, 2019

	Utility Fund
Operating income:	
Charges for sales and service	\$ 222,115
Connection fees	34,888
Other operating income	35,823
Total operating income	<u>292,826</u>
Operating expenses:	
Wages	69,141
Benefits	37,676
Utilities	10,591
Repair and maintenance	35,382
Professional services	17,327
Other supplies and expenses	13,582
Insurance expense	4,644
Depreciation expense	134,013
Total operating expense	<u>322,356</u>
Net operating income (loss)	<u>(29,530)</u>
Non-operating income (expense):	
Impact fees	197,573
Grants	38,000
Interest income	3,136
Legal fee expenses	(5,549)
Interest on long-term debt	(94,608)
Total non-operating income (expense)	<u>138,552</u>
Change in net position	109,023
Net position - beginning	710,407
Prior period adjustments	(17,083)
Net position - ending	<u>\$ 802,346</u>

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

Big Plains Water & Sewer Special Service District

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 292,826
Cash paid to suppliers	(177,795)
Cash paid to employees	(106,817)
Net cash provided (used) in operating activities	8,214
Cash flows from noncapital financing activities:	
Change in due to/from other governments	1,449
Change in customer deposits	(3,100)
Net cash provided (used) in noncapital financing activities	(1,651)
Cash flows from capital and related financing activities:	
Cash received from impact fees	197,573
Cash received from grants	38,000
Cash payments for capital assets	(10,379)
Cash payments for legal fees	(5,549)
Cash payments for long-term debt principal	(145,535)
Cash payments for long-term debt interest	(94,608)
Net cash provided (used) in capital and related financing activities	(20,498)
Cash flows from investing activities:	
Cash received from interest earned	3,136
Net cash provided (used) in investing activities	3,136
Net increase (decrease) in cash	(10,799)
Cash balance - beginning	189,087
Cash balance - ending	\$ 178,288
Cash reported on the statement of net position:	
Cash and cash equivalents	\$ -
Checks written in excess of unrestricted cash balance	(65,123)
Non-current restricted cash	243,411
Total cash and cash equivalents	\$ 178,288

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

Big Plains Water & Sewer Special Service District
STATEMENT OF CASH FLOWS (continued)
For the year ended June 30, 2019

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	<u>Utility Fund</u>
Net operating income (expense)	\$ (29,530)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	134,013
Changes in assets and liabilities:	
(Increase) decrease in receivables	-
Increase (decrease) in accounts payable	(98,457)
Increase (decrease) in payroll liabilities	<u>2,189</u>
Net cash provided (used) in operating activities	<u>\$ 8,214</u>

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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, 2019

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, 2019

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, 2019, 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, 2019, the District did not have deferred inflows of resources.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

**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.

1-H. Prior period adjustment

A prior period adjustment for the net amount of \$17,083 has been recorded, reducing the beginning net position. This adjustment was recorded to accurately reflect the amount due from Apple Valley Town.

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, 2019

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2019 consist of the following:

	Fair Value
Demand deposits	\$ 29,095
Investments - PTIF	149,193
Total cash	<u>\$ 178,288</u>

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

Cash and cash equivalents (current)	\$ (65,123)
Restricted cash and cash equivalents (non-current)	243,411
Total cash and cash equivalents	<u>\$ 178,288</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, 2019, the District had the following investments, ratings, and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Utah Public Treasurer's Investment Fund	\$ 149,193	N/A	47.67
Total Fair Value	<u>\$ 149,193</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, 2019

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, 2019, the District had \$149,193 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, 2019, 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	\$ 57,603
Total receivables	\$ 57,603

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3-C. Capital assets

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 21,507	-	-	21,507
Water rights	996,483	-	-	996,483
Construction in progress	-	4,680	-	4,680
Total capital assets, not being depreciated	1,017,990	4,680	-	1,022,670
Capital assets, being depreciated:				
Distribution and collection systems	5,237,926	519	-	5,238,445
Equipment	36,952	5,180	-	42,132
Total capital assets, being depreciated	5,274,878	5,699	-	5,280,577
Less accumulated depreciation for:				
Distribution and collection systems	442,186	131,182	-	573,368
Equipment	9,309	2,830	-	12,140
Total accumulated depreciation	451,495	134,013	-	585,508
Total capital assets being depreciated, net	4,823,383	(128,314)	-	4,695,069
Business-type activities capital assets, net	\$ 5,841,373	(123,634)	-	5,717,739

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

3-D. Long-term liabilities

Long-term debt activity for business-type activities was as follows (all debt is direct placement):

	Original Principal	% Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2016 Aquafer Study							
Matures 10/1/2021	\$ 41,000	-	\$ 33,000	-	8,000	25,000	8,000
2018 Water Bond Series A							
Matures 10/1/2037	88,000	-	88,000	-	4,000	84,000	4,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,200,000	-	85,000	2,115,000	85,000
2018 Water Bond Series B							
Matures 5/1/2048	362,000	1.00	362,000	-	13,000	349,000	10,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	290,633	-	3,669	286,963	3,819
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,282,701	-	31,865	2,250,836	32,999
Total business-type activity							
 long-term liabilities			\$ 5,256,334	-	145,535	5,110,799	143,818

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

For the year ending June 30,	Principal	Interest	Total
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	142,430	87,110	229,540
2025-2029	734,276	409,774	1,144,050
2030-2034	788,151	361,049	1,149,200
2035-2039	840,954	303,246	1,144,200
2040-2044	889,426	234,624	1,124,050
2045-2049	534,650	153,110	687,760
2050-2054	574,116	58,284	632,400
2055	27,356	152	27,508
Total	\$ 5,110,799	1,971,159	7,081,958

The business-type bonds are secured by their respective revenues.

The District has outstanding bonds related to business-type activities totaling \$5,110,779. The outstanding bonds are all secured with their respective revenues and/or property and equipment.

The District has no unused lines of credit as of June 30, 2019.

Big Plains Water & Sewer Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

3-E. Restricted net position

At June 30, 2019, the District's restricted net position is as follows:

Business-type:	
Net investment in capital assets	\$ 631,941
Bond fund	132,032
Reserve fund	51,000
Capital facility replacement	60,379
Unrestricted	<u>(73,005)</u>
Total net position	<u>\$ 802,346</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.

This page intentionally left blank.

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank.

Big Plains Water & Sewer Special Service District
OTHER SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2019

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, 2019. The following is a summary of the relevant coverages at June 30, 2019:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2020
Auto Bodily Injury	2,000,000	9/30/2020
Auto Property Damage	2,000,000	9/30/2020
Personal Injury Protection	As State Requires	9/30/2020
Underinsured Motorist	80,000	9/30/2020
Uninsured Motorist	80,000	9/30/2020
Pollution Exclusion Endorsement	50,000	9/30/2020
No Fault Sewer Cleanup	5,000	9/30/2020

Water System Cutomers and Connections

Customers	726
Connections	384
 Total revenues billed	 \$ 222,115

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

Bond Fund	\$ 132,032
Reserve Fund	51,000
Capital Facilities Replacement Fund	60,739

Governing Body

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

This page intentionally left blank.



**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***

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, 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 the business-type activities of the Big Plains Water & Sewer Special Service District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington City'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.



HintonBurdick, PLLC
St. George, Utah
February 29, 2020



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on Compliance and
Report on Internal Control Over Compliance
As Required by the State Compliance Audit Guide**

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Report on Compliance

We have audited the Big Plains Water & Sewer Special Service District's (District) compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June, 30, 2019.

General state compliance requirements were tested for the year ended June 30, 2019 in the following areas:

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

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as item 2019-001 and 2018-003. Our opinion on compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Response to Findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We did note matters involving internal control over compliance or certain deficiencies which we are submitting for your consideration. These matters are described in the accompanying letter of Findings and Recommendations.

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

HintonBurdick, PLLC

HintonBurdick, PLLC
St. George, Utah
February 29, 2020

This page intentionally left blank.



**Findings and Recommendations
For the Year Ended June 30, 2019**

Board and Management
Of Big Plains Water & Sewer SSD
Town of Apple Valley, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the District for their administrative achievements and oversight of the District's accounting and budget system. During our audit of the financial statements of the Big Plains Water & Sewer SSD for the fiscal year ended June 30, 2019 we noted a few circumstances that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None Noted

Significant Deficiencies:

None Noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

2019-001 Budgetary Compliance

Criteria: Utah code 10-6-123 prohibits incurring expenditures in excess of total appropriations in the budget as adopted or as subsequently amended.

Condition: At year end, the Water Fund expenses exceeded the amount budgeted by \$38,000.

HintonBurdick, PLLC Monitoring and/or adjusting the budget were not followed at year-end.

Effect: Expenses were made without proper budget approvals.

Recommendation: We recommend the District operate within the confines of the budget by limiting expenses or following proper procedures to adjust budgets as necessary.

2018-003 Deficit Fund Balance

Criteria: UCA 17B-1-613-(2) required Districts with a deficit unrestricted net position to budget in the next budget year 5% or more of the Districts total actual revenue of the audited year towards reduction of the deficit.

Condition: The proprietary fund ended fiscal year 2019 with a deficit in unrestricted fund balance and has not budgeted the required minimum 5% of fiscal year 2019 actual revenues towards reduction of the deficit in fiscal year 2020.

Cause: The District's internal controls were not designed or implemented to note, consider, and address the deficit at the time of budgeting.

Effect: The District is not in compliance with Utah Code 17B-1-613-(2).

Recommendation: We recommend the District continue its efforts to eliminate the proprietary fund deficit unassigned/unrestricted fund balance, and amend its budget to be compliant with state law.

Other Matters:

None

Responses

Please respond to the above Findings and Recommendations in letter form.

This report is intended solely for the information and use of the District management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
February 29, 2020



1777 N Meadowlark Dr
Apple Valley, Utah 84737
Phone: 435-877-1190
Fax: 435-877-1192
www.applevalleyut.gov

HintonBurdick, PLLC
63 South 300 East
St. George, UT 84770

RE: Response to Financial Audit Findings

The following are management responses to findings resulting from the Big Plains Water and Sewer SSD financial audit for year ended June 30, 2019.

Budgetary Compliance

Finding: At year end, the Water Fund expenses exceeded the amount budgeted by \$38,000.

Management Response: The District will operate within budgetary allocations and will not issue payment unless there is sufficient balance within the appropriate budgetary category. Additionally, the Board will review year to date budgetary status in monthly Board Meetings.

Deficit Fund Balance

Finding: The proprietary fund ended fiscal year 2019 with a deficit in unrestricted fund balance and has not budgeted the required minimum 5% of fiscal year 2019 actual revenues towards reduction of the deficit in fiscal year 2020.

Management Response: The board was aware of the minimum 5% deficit makeup allocation required in fiscal year 2020. However, only a single revenue source was considered when budgeting this deficit makeup. A budget amendment has been scheduled to account for this oversight.

Ben Billingsley
Finance Director
Town of Apple Valley