

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central Iron County Water Conservancy District, an enterprise fund, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Central Iron County Water Conservancy District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 an opinion 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 financial statement 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Central Iron County Water Conservancy District at December 31, 2014, and the 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 on pages 3 through 7 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2015, on our consideration of Central Iron County Water Conservancy 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 Central Iron County Water Conservancy District's internal control over financial reporting and compliance.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 9, 2015
Richfield, Utah

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Central Iron County Water Conservancy District (the District), we offer readers of the financial statements this narrative discussion, overview, and analysis of the District's financial activities for the year ending December 31, 2014. We encourage readers to consider the information presented here as an overview of the operations of the District. This discussion and analysis is not intended to cover every aspect of the daily activities of the District.

The purpose of Central Iron County Water Conservancy District is to provide conservation and development of water resources to the residents of the District.

Financial Highlights

- * The assets of the District exceeded its liabilities as of the close of the most recent year by \$22,304,406 (net position). Of this amount, \$2,508,595 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and capital expansion.
- * The District's total net position increased by \$468,110.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: 1) Statement of Net Position; 2) Statement of Revenue, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements to give the reader an overall view of the District as a whole. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Statement of Net Position

This condensed Statement of Net Position presents information on all of the assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position invested in capital assets are the capital assets of the District reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Position (continued)

	<u>2014</u>	<u>2013</u>
Current and Other Assets	3,048,665	2,456,558
Capital Assets	<u>30,506,976</u>	<u>31,127,723</u>
Total Assets	<u>33,555,641</u>	<u>33,584,281</u>
Long-Term Liabilities Outstanding	10,462,722	11,031,747
Other Liabilities	<u>788,513</u>	<u>716,238</u>
Total Liabilities	<u>11,251,235</u>	<u>11,747,985</u>
Net Position:		
Net Investment in Capital Assets	19,500,229	19,570,704
Restricted	295,582	295,582
Unrestricted	<u>2,508,595</u>	<u>1,970,010</u>
Total Net Position	<u>22,304,406</u>	<u>21,836,296</u>

As noted earlier, net position may serve over time as a useful indicator of an institution's financial position. In the case of the District, assets exceeded liabilities by \$22,304,406 at the close of the most recent fiscal year. This represents an increase over the preceding year of \$468,110. The unrestricted net position of \$2,508,595 may be used to meet the District's ongoing obligations to customers of the District.

Statement of Revenues, Expenses, and Changes In Net Position

This condensed Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position of Central Iron County Water Conservancy District changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The breakdown of "operating" and "non-operating" categories are defined by accounting standards.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses, and Changes In Net Position (Continued)

	<u>2014</u>	<u>2013</u>
Operating Revenues	590,845	514,513
Operating Expenses	<u>(1,580,518)</u>	<u>(1,662,378)</u>
Net Operating Gain (Loss)	(989,673)	(1,147,865)
Non-Operating Revenues (Net)	<u>1,457,783</u>	<u>1,490,231</u>
Increase in Net Position	468,110	342,366
Net Position - Beginning of Year	<u>21,836,296</u>	<u>21,493,930</u>
Net Position - End of Year	<u>22,304,406</u>	<u>21,836,296</u>

Statement of Cash Flows

This condensed Statement of Cash Flows provides an additional perspective of the District's financial results for the fiscal year. It provides a source and use of cash for broad categories of activities.

	<u>2014</u>	<u>2013</u>
Cash provided (used) by:		
Operating activities	(271,740)	(517,037)
Non-capital financing activities	1,698,975	3,012,263
Capital financing activities	(835,103)	(909,160)
Capital investing activities	<u>6,380</u>	<u>6,190</u>
Net Increase (Decrease) in Cash	598,512	1,592,256
Cash - Beginning of Year	<u>2,367,774</u>	<u>775,518</u>
Cash - End of Year	<u>2,966,286</u>	<u>2,367,774</u>

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of December 31, 2014 was \$30,506,976 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water rights, utility system, and equipment.

The total additions to the District's investment in capital assets for the current year was \$44,779. Major capital events during the current year are shown below by category in comparison to the prior year.

	<u>2014</u>	<u>2013</u>
Investment in Fixed Assets:		
Construction in Progress	29,790	19,260
Land and Water Rights	8,815,767	8,815,767
Buildings	211,883	222,160
Water Utility System	21,394,571	22,004,249
Equipment	<u>54,965</u>	<u>66,287</u>
 Total Assets	 <u>30,506,976</u>	 <u>31,127,723</u>

Additional information on the District's capital asset's can be found in the notes to the financial statements.

Debt Administration

At the end of the current year, the District had a total bonded debt and other long-term obligations outstanding of \$11,006,747. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	<u>2014</u>	<u>2013</u>
Long Term Obligations:		
Revenue Bonds Payable	9,827,677	10,211,585
Other Long-Term Obligations	<u>1,179,070</u>	<u>1,345,434</u>
 Total Long-Term Obligations	 <u>11,006,747</u>	 <u>11,557,019</u>

Additional information on the District's long-term debt can be found in the notes to the financial statements.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

The financial report is designed to provide a general overview of the District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to Central Iron County Water Conservancy District, 88 East Fiddlers Canyon Road, Suite # A, P.O. Box 37, Cedar City, Utah 84721-0037.

BASIC FINANCIAL STATEMENTS

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2014

	December 31, 2014	(Memorandum) (Only) December 31, 2013
ASSETS		
Current Assets:		
Cash and Investments	2,966,286	2,367,774
Accounts Receivable	25,679	39,061
Property Tax Receivable	<u>56,700</u>	<u>49,723</u>
Total Current Assets	<u>3,048,665</u>	<u>2,456,558</u>
Long-term Assets:		
Capital Assets (Net of Accumulated Depreciation):	<u>30,506,976</u>	<u>31,127,723</u>
TOTAL ASSETS	<u><u>33,555,641</u></u>	<u><u>33,584,281</u></u>
 LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts Payable	62,873	23,096
Compensated Absences Payable	10,351	11,177
Customer Deposits	8,500	
Payroll Taxes Payable	1,337	1,263
Accrued Interest Payable	161,427	155,430
Bonds Payable - Due Within One Year	<u>544,025</u>	<u>525,272</u>
Total Current Liabilities	<u>788,513</u>	<u>716,238</u>
Noncurrent Liabilities:		
Bonds Payable After One Year	<u>10,462,722</u>	<u>11,031,747</u>
TOTAL LIABILITIES	<u>11,251,235</u>	<u>11,747,985</u>
 NET POSITION		
Net Investment in Capital Assets	19,500,229	19,570,704
Restricted For:		
Debt Service	295,582	295,582
Unrestricted	<u>2,508,595</u>	<u>1,970,010</u>
TOTAL NET POSITION	<u>22,304,406</u>	<u>21,836,296</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>33,555,641</u></u>	<u><u>33,584,281</u></u>

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

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
For The Year Ended December 31, 2014

		(Memorandum) (Only)
	December 31, 2014	December 31, 2013
OPERATING REVENUES		
Water Sales Revenue	590,845	514,513
TOTAL REVENUES	<u>590,845</u>	<u>514,513</u>
OPERATING EXPENSES		
Depreciation Expense	665,526	663,058
Dues & Memberships	3,436	2,840
Insurance Expense	19,193	64,759
Lease Expense	9,471	9,471
Maintenance	33,590	47,120
Water System Expense	104,848	88,937
Office, Telephone, and Postage Expense	36,810	35,803
Payroll Taxes	13,395	15,155
Professional Expenses	201,552	80,917
Cost Sharing - USU	42,857	40,928
Salaries & Wages	174,266	198,101
Employee Benefits	104,059	45,409
Travel	9,581	7,840
Utilities Expense - Pumping	151,421	154,419
West Desert Monitoring	8,201	205,112
Other Expenses	2,312	2,509
TOTAL OPERATING EXPENSES	<u>1,580,518</u>	<u>1,662,378</u>
NET OPERATING GAIN (LOSS)	<u>(989,673)</u>	<u>(1,147,865)</u>
NONOPERATING REVENUE (EXPENSES)		
Property Tax Revenue	1,602,364	1,675,141
Fee-In-Lieu of Taxes	103,588	83,055
Federal Grants	-	3,860
Impact Fees	82,500	83,100
Connection Fees	33,700	28,837
Other Revenue	20,736	2,834
Interest Earnings	6,380	6,190
Interest and Fiscal Charges	(391,485)	(392,786)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>1,457,783</u>	<u>1,490,231</u>
CHANGES IN NET POSITION	468,110	342,366
TOTAL NET POSITION - BEGINNING OF YEAR	<u>21,836,296</u>	<u>21,493,930</u>
TOTAL NET POSITION - END OF YEAR	<u>22,304,406</u>	<u>21,836,296</u>

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

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended December 31, 2014

	<u>December 31,</u> <u>2014</u>	<u>(Memorandum)</u> <u>(Only)</u> <u>December 31,</u> <u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	604,227	510,123
Cash Paid To Employees	(279,151)	(248,597)
Cash Paid To Suppliers	(596,816)	(778,563)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>(271,740)</u>	<u>(517,037)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenue	1,698,975	3,008,403
Grant Revenue	-	3,860
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,698,975</u>	<u>3,012,263</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Receipts	20,736	2,834
Impact and Connection Fees	116,200	111,937
Customer Deposits	8,500	
Acquisition of Capital Assets	(44,780)	(90,059)
Interest and Fiscal Charges Paid on Capital Debt	(385,488)	(403,002)
Proceeds from new bonds issued	-	-
Principal paid on Long-Term Debt	(550,271)	(530,870)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(835,103)</u>	<u>(909,160)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Revenue	6,380	6,190
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	598,512	1,592,256
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>2,367,774</u>	<u>775,518</u>
CASH AND INVESTMENTS - END OF YEAR	<u>2,966,286</u>	<u>2,367,774</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	(989,673)	(1,147,865)
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation	665,526	663,058
Increase (Decrease) In Operating Assets and Liabilities:		
Accounts Receivable	13,382	(4,390)
Accounts Payable	39,777	(4,920)
Unearned Revenue	-	(17,833)
Compensated Absences Payable	(826)	(4,142)
Payroll Taxes Payable	74	(945)
Total Adjustments	<u>717,933</u>	<u>630,828</u>
Net Cash Provided (Used) by Operating Activities	<u>(271,740)</u>	<u>(517,037)</u>

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

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Iron County Water Conservancy District, a Utah political subdivision, (the District) is organized under the Utah Water Conservancy Act of the State of Utah. The District operates under a board of directors appointed by Iron County and provides conservation and development of water resources to the residents of the District. The District is not a component unit of any other governmental entity, and it has no component units.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

A. Reporting Entity:

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the exercise of special financial relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in defining the District's reporting entity.

B. Financial Statement Presentation:

The District has adopted the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Disclosures. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements relating to these standards are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net position presentation.

The District reports its water development, production, storage, and distribution operations as a proprietary fund. Proprietary 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements of the District are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

C. Cash and Investments:

The District considers all highly liquid investments with an original maturity of three months or less to be cash and investments. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash and investments.

D. Capital Assets:

Capital assets include property and plant equipment. Capital assets are defined by the District as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings	40 Years
Water System	40 Years
Equipment	5 Years

E. Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as user fees, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the District's principal activities (such as investment income) and from all nonexchange transactions (such as grants).

F. Net Position

The District's net position is classified as follows:

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted - Expendable: Restricted expendable net position includes resources which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted: Unrestricted net position represent resources derived from user fees and intergovernmental appropriations. These resources are used for transactions relating to the development of water resource activities of the District, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

G. Property Tax

The District assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The District should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

I. Date of Subsequent Event Evaluation

The District's subsequent events have been evaluated through the day of the financial statement issuance of May 9, 2015.

NOTE 2 - CASH AND INVESTMENTS

The District maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "The Act") and by rules of the Utah Money Management Council ("The Council").

The District's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Management Council. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (Continued)

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified Depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of December 31, 2014, the District had the following deposits and investments:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>
Cash on Deposit	2,221,320
State Treasurer's Investment Pool	744,966
Total Cash and Investments	2,966,286

Reported on the Financial Statements as Follows

Cash and Investments	2,966,286
Total Cash and Investments	2,966,286

The following paragraphs discuss the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits- Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2014, \$1,971,585 of the District's bank balances of \$2,221,585 were uninsured.

Investments- Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk:

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at December 31, 2014:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
PTIF	744,966	Less than 1 Year	Not Rated

Interest Rate Risk:

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

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase. As of year-end, the District had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land, Water Rights & Easements	8,815,767	-	-	8,815,767
Construction In Progress	<u>19,260</u>	<u>10,530</u>	<u>-</u>	<u>29,790</u>
 Total Capital Assets Not Being Depreciated	 <u>8,835,027</u>	 <u>10,530</u>	 <u>-</u>	 <u>8,845,557</u>
Capital Assets Being Depreciated:				
Buildings	233,581	-	-	233,581
Water Tanks	140,000	-	-	140,000
Water Utility System	25,219,196	34,249	-	25,253,445
Machinery and Equipment	3,615	-	-	3,615
Autos and Trucks	74,810	-	-	74,810
Equipment	<u>20,862</u>	<u>-</u>	<u>-</u>	<u>20,862</u>
 Total Capital Assets Being Depreciated	 <u>25,692,064</u>	 <u>34,249</u>	 <u>-</u>	 <u>25,726,313</u>
Less Accumulated Depreciation For:				
Buildings	11,421	10,277	-	21,698
Water Utility System	3,354,947	643,927	-	3,998,874
Machinery and Equipment	<u>33,000</u>	<u>11,322</u>	<u>-</u>	<u>44,322</u>
 Total Accumulated Depreciation	 <u>3,399,368</u>	 <u>665,526</u>	 <u>-</u>	 <u>4,064,894</u>
 Total Capital Assets Being Depreciated (Net)	 <u>22,292,696</u>	 <u>(631,277)</u>	 <u>-</u>	 <u>21,661,419</u>
 Business-Type Activities Capital Assets, Net	 <u>31,127,723</u>	 <u>(620,747)</u>	 <u>-</u>	 <u>30,506,976</u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT

The following is a summary of bonds payable of the District for the year ended December 31, 2014:

<u>Proprietary Fund Debt:</u>	<u>Balance December 31, 2013</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance December 31, 2014</u>
Cedar Highlands 2011	25,000	-	25,000	-
Cedar Highlands 2011	238,000	-	6,000	232,000
Parity Water Revenue Bond Series 2005 A (UT-DW)	2,012,000	-	122,000	1,890,000
Rural Development Revenue Bonds	2,093,287	-	29,872	2,063,415
State Bank of Southern Utah Water Purchase	1,345,434	-	166,364	1,179,070
USDA - Phase II	2,622,297	-	35,035	2,587,262
Utah Drinking Water - Phase II	3,006,000	-	159,000	2,847,000
Utah Drinking Water - Series 2009	53,000	-	3,000	50,000
Utah Drinking Water - Series 2009 Phase III	<u>162,000</u>	<u>-</u>	<u>4,000</u>	<u>158,000</u>
Total Proprietary Fund Debt	<u><u>11,557,018</u></u>	<u><u>-</u></u>	<u><u>550,271</u></u>	<u><u>11,006,747</u></u>

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT (CONTINUED)

The District's total bonded debt service at December 31, 2014 was as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	544,025	368,081	912,106
2016	561,280	349,926	911,206
2017	581,058	330,976	912,034
2018	600,387	311,370	911,757
2019	620,290	301,667	921,957
2020-2024	2,439,566	1,191,515	3,631,081
2025-2029	2,193,461	867,263	3,060,724
2030-2034	768,363	631,709	1,400,072
2035-2039	937,433	462,127	1,399,560
2040-2044	1,077,683	258,190	1,335,873
2045-2049	683,201	44,963	728,164
Total	<u>11,006,747</u>	<u>5,117,787</u>	<u>16,124,534</u>

Revenue Bonds at December 31, 2014 consist of the following:

<p>\$3,345,000 Parity Water Revenue Bonds Series 2005 A, issued 11/28/05. Issued by Utah Drinking Water Board. Due in annual installments of \$172,051 to 171,048 through year 2027. Interest rate of 2.46% APR. Reserve requirement is \$ 86,066.</p>	1,890,000
<p>\$2,250,000 Parity Water Revenue Bond Series 2005C issued by USDA Rural Development. Due in annual installments of \$121,382 through year 2047. Interest rate of 4.5% APR. Reserve requirement is \$ 60,691.</p>	2,063,415
<p>\$2,756,000 Parity Water Revenue Bond Series 2008 issued by USDA Rural Development. Due in annual installments of \$140,803 through year 2049. Interest rate of 4% APR. Reserve requirement is \$ 56,321.</p>	2,587,262
<p>\$3,610,000 Parity Water Revenue Bond Series 2008 issued by Utah Drinking Water Board. Due in annual installments of \$223,952 to \$224,936 through year 2029. Interest rate of 2.25% APR. Reserve requirement is \$ 89,912.</p>	2,847,000

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CHANGES IN LONG-TERM DEBT (CONTINUED)

\$65,000 Parity Water Revenue Bond Series 2009 issued Series 2009 issued by Utah Drinking Water Board. Due in annual installments of from \$4,300 to \$4,140 through year 2029. Interest rate of 2% APR. Reserve requirement is \$892. 50,000

\$694,705 (principal forgiveness of \$520,705) \$174,000 (net loan amount) Parity Water Revenue Bond Series 2009 issued by Utah Drinking Water Board Due in annual installments of \$7,776 to \$8,500 through year 2040. Interest rate of 2.17% APR. Technical assistance fee. Reserve requirement is \$ 1,700. 158,000

\$250,000 Water Revenue Bonds (assumed on 8/17/2012) Assumed from Cedar Highland Home Owners Association These bonds required yearly payments of \$6,000 to \$12,000, and mature January 1, 2041. Interest rate is 2.38% APR 232,000

Revenue Bonds Payable at December 31, 2014: 9,827,677

All water revenue bonds are secured by revenues generated from water resources.

Other Long-Term Obligations:

\$1,828,942 Capital Lease Obligation Issued by State Bank of Southern Utah in 2008. Due in annual installments of \$235,500 through year 2018. Interest rate of 4.8% APR. 1,179,070

Total Long-Term Obligations Payable at December 31, 2014 11,006,747

NOTE 5 - PENSION PLAN

Plan Description:

The District contributes to the Local Governmental Contributory Retirement System and the Local Governmental Noncontributory Retirement System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - PENSION PLAN (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-753-7361.

Funding Policy:

The District is required to contribute a percent of covered salary to the respective systems:

<u>January 2014 to June 2014</u>	<u>Employer Contribution Rates</u>
Contributory System:	
Local Government Division Tier 2	15.11%
Noncontributory System:	
Local Government Division Tier 1	17.29%
<u>July 2014 to December 2014</u>	
Contributory System:	
Local Government Division	14.94%
Noncontributory System:	
Local Government Division	18.47%

The District's contributions to the various systems for the years ending December 31, 2014, 2013 and 2012 respectively were; for the Contributory System, \$7,600.10, \$7,088.53 and \$5,372.20; and, for the Noncontributory System, \$18,776.58, \$17,644.88, and \$13,094.98, respectively. The contributions were equal to the required contributions for each year.

The District also contributes to the Defined Contribution System 401(k) Plan for the years ending December 31, 2014, 2013, and 2012. Contributions were \$1,521.78, \$2,603.38 and \$1,289.18, respectfully.

NOTE 6 - RISK MANAGEMENT

The District is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of Nature, and job related illness or injury. The District has procured insurance which, in the District's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 7 - 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 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.

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

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 Central Iron County Water Conservancy District, an enterprise fund, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Central Iron County Water Conservancy District's financial statements, and have issued our report thereon dated May 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Iron County Water Conservancy 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Iron County Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Iron County Water Conservancy District's internal control.

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

The Honorable Board Members
Central Iron County Water Conservancy District
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Iron County Water Conservancy District's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing or 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.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 9, 2015
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

Report on Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Central Iron County Water Conservancy District's compliance with the applicable general state and major state program compliance 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 or each of its major state programs for the year ended December 31, 2014.

General state compliance requirements were tested for the year ended December 31, 2014 in the following areas:

Budgetary Compliance	Cash Management
Fund Balance	Impact Fees
Utah Retirement Systems	Budget Notices and Format

The District did not have any State funding classified as a major program during the year ended December 31, 2014.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

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 and *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 with the general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on General State Compliance Requirements

In our opinion, Central Iron County Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *State Compliance Audit Guide*.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general 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 general 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 general 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 general 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

May 9, 2015
Richfield, Utah