

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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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, 2019, 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.

The Honorable Board Members
Central Iron County Water Conservancy District
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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, 2019, 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 and Utah Retirement Systems pension liability and contribution 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 20, 2020, 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, PC

Certified Public Accountants

May 20, 2020
Richfield, Utah

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

Statement of Net Position (continued)

	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 5,476,337	\$ 5,214,250
Capital Assets	<u>31,961,146</u>	<u>31,542,652</u>
Total Assets	<u>37,437,483</u>	<u>36,756,902</u>
Deferred Outflows of Resources	<u>95,706</u>	<u>71,500</u>
Long-Term Liabilities Outstanding	7,575,862	8,164,339
Other Liabilities	<u>1,236,430</u>	<u>1,209,454</u>
Total Liabilities	<u>8,812,292</u>	<u>9,373,793</u>
Deferred Inflows of Resources	<u>3,252</u>	<u>30,016</u>
Net Position:		
Net Investment in Capital Assets	23,861,438	22,822,654
Restricted	680,388	677,897
Unrestricted	<u>4,175,819</u>	<u>3,924,042</u>
Total Net Position	<u>\$ 28,717,645</u>	<u>\$ 27,424,593</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 \$28,717,645 at the close of the most recent fiscal year. This represents an increase over the preceding year of \$1,293,052. The unrestricted net position of \$4,175,819 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 regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement occurs, 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>2019</u>	<u>2018</u>
Operating Revenues	\$ 697,884	\$ 603,683
Operating Expenses	<u>(1,629,386)</u>	<u>(1,450,282)</u>
Net Operating Gain (Loss)	(931,502)	(846,599)
Non-Operating Revenues (Net)	<u>2,224,554</u>	<u>2,308,962</u>
Increase in Net Position	1,293,052	1,462,363
Net Position - Beginning of Year	<u>27,424,593</u>	<u>25,962,230</u>
Net Position - End of Year	<u>\$ 28,717,645</u>	<u>\$ 27,424,593</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>2019</u>	<u>2018</u>
Cash provided (used) by:		
Operating activities	\$ (199,009)	\$ 226,689
Non-capital financing activities	1,989,918	1,835,923
Capital financing activities	(1,686,498)	(1,339,817)
Capital investing activities	<u>82,652</u>	<u>56,192</u>
Net Increase (Decrease) in Cash	187,063	778,987
Cash - Beginning of Year	<u>4,853,986</u>	<u>4,074,999</u>
Cash - End of Year	<u>\$ 5,041,049</u>	<u>\$ 4,853,986</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, 2019 was \$31,961,146 (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 \$875,553. Major capital events during the current year are shown below by category in comparison to the prior year.

	<u>2019</u>	<u>2018</u>
Investment in Fixed Assets:		
Construction in Progress	\$ 2,325,914	\$ 2,705,512
Land and Water Rights	10,637,923	9,270,742
Buildings	184,796	191,023
Water Utility System	18,659,175	19,255,560
Equipment	<u>153,338</u>	<u>119,814</u>
Total Assets	<u>\$ 31,961,146</u>	<u>\$ 31,542,651</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 \$8,099,708. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	<u>2019</u>	<u>2018</u>
Long Term Obligations:		
Revenue Bonds Payable	\$ 7,880,185	\$ 8,290,162
Other Long-Term Obligations	<u>219,523</u>	<u>429,836</u>
Total Long-Term Obligations	<u>\$ 8,099,708</u>	<u>\$ 8,719,998</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, Ste. A, Cedar City, Utah 84721.

BASIC FINANCIAL STATEMENTS

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2019

	December 31, 2019	(Memorandum) (Only) December 31, 2018
ASSETS		
Current Assets:		
Cash and Investments	\$ 4,360,661	\$ 4,176,089
Accounts Receivable	48,546	46,608
Property Tax Receivable	386,742	313,656
Total Current Assets	<u>4,795,949</u>	<u>4,536,353</u>
Noncurrent Assets:		
Restricted Cash	680,388	677,897
Capital Assets:		
Land, Water Rights and Easements	10,637,923	9,270,742
Construction In Progress	2,325,914	2,705,512
Other Capital Assets (Net of Accumulated Depreciation)	18,997,309	19,566,398
Total Noncurrent Assets	<u>32,641,534</u>	<u>32,220,549</u>
TOTAL ASSETS	<u><u>37,437,483</u></u>	<u><u>36,756,902</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Related To Pensions	95,706	71,500
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 37,533,189</u></u>	<u><u>\$ 36,828,402</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 445,546	\$ 430,038
Compensated Absences	31,673	25,776
Customer Deposits	32,000	34,000
Accrued Interest Payable	87,301	99,350
Bonds Payable - Due Within One Year	639,910	620,290
Total Current Liabilities	<u>1,236,430</u>	<u>1,209,454</u>
Noncurrent Liabilities:		
Bonds Payable After One Year	7,459,798	8,099,708
Net Pension Liability	116,064	64,631
Total Noncurrent Liabilities	<u>7,575,862</u>	<u>8,164,339</u>
TOTAL LIABILITIES	<u><u>8,812,292</u></u>	<u><u>9,373,793</u></u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	3,252	30,016
NET POSITION		
Net Investment in Capital Assets	23,861,438	22,822,654
Restricted For:		
Debt Service	680,388	677,897
Unrestricted	4,175,819	3,924,042
TOTAL NET POSITION	<u><u>28,717,645</u></u>	<u><u>27,424,593</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 37,533,189</u></u>	<u><u>\$ 36,828,402</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
For The Year Ended December 31, 2019

		(Memorandum) (Only)
	December 31,	December 31,
	2019	2018
OPERATING REVENUES		
Water Sales Revenue	\$ 697,884	\$ 603,683
TOTAL REVENUES	697,884	603,683
OPERATING EXPENSES		
Depreciation Expense	715,026	691,781
Dues & Memberships	5,606	5,407
Insurance Expense	6	25,448
Lease Expense	16,787	9,471
Maintenance	34,917	31,675
Water System Expense	140,965	81,290
Office, Telephone, and Postage Expense	27,415	28,633
Payroll Taxes	23,140	19,355
Professional Expenses	95,445	56,017
Salaries and Wages	302,481	253,001
Employee Benefits	169,747	148,508
Travel	12,464	13,631
Utilities Expense - Pumping	85,387	84,820
West Desert Monitoring	-	1,245
TOTAL OPERATING EXPENSES	1,629,386	1,450,282
NET OPERATING GAIN (LOSS)	(931,502)	(846,599)
NONOPERATING REVENUE (EXPENSES)		
Property Tax Revenue	1,870,078	1,792,032
Fee-In-Lieu of Taxes	109,316	131,397
State Grants	83,610	161,778
Impact Fees	266,000	298,500
Connection Fees	77,000	86,000
Other Revenue	15,398	63,023
Interest Earnings	82,652	56,192
Interest and Fiscal Charges	(279,037)	(283,142)
Pension Expense	(47,403)	(35,706)
Benefit Expense	46,940	38,888
TOTAL NONOPERATING REVENUE (EXPENSES)	2,224,554	2,308,962
CHANGES IN NET POSITION	1,293,052	1,462,363
TOTAL NET POSITION - BEGINNING OF YEAR	27,424,593	25,962,230
TOTAL NET POSITION - END OF YEAR	\$ 28,717,645	\$ 27,424,593

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, 2019

	December 31, 2019	(Memorandum) (Only) December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Customers	\$ 695,946	\$ 595,034
Cash Paid To Employees	(302,481)	(253,001)
Cash Paid To Suppliers	(592,474)	(115,344)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>(199,009)</u>	<u>226,689</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenue	1,906,308	1,674,145
Grant Revenue	83,610	161,778
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,989,918</u>	<u>1,835,923</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other Receipts	15,398	63,022
Impact and Connection Fees	343,000	384,500
Acquisition of Capital Assets	(1,133,520)	(875,553)
Interest and Fiscal Charges Paid on Capital Debt	(291,086)	(311,400)
Principal Paid On Long-Term Debt	(620,290)	(600,386)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,686,498)</u>	<u>(1,339,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Revenue	82,652	56,192
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	<u>187,063</u>	<u>778,987</u>
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>4,853,986</u>	<u>4,074,999</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 5,041,049</u>	<u>\$ 4,853,986</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ (931,502)	\$ (846,599)
Adjustments to Reconcile Net Operating Gain (Loss) to Net Cash Provided (Used) By Operating Activities:		
Depreciation	715,026	691,781
Increase (Decrease) In Operating Assets and Liabilities:		
Accounts Receivable	(1,938)	(8,649)
Accounts Payable	15,508	382,833
Compensated Absences Payable	5,897	3,413
Customer Deposits	(2,000)	3,910
Total Adjustments	<u>732,493</u>	<u>1,073,288</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (199,009)</u>	<u>\$ 226,689</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, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Deposits and Investments:

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The District's investments are reported at amortized cost, which approximates fair value at year-end. The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with appropriate Utah state laws. Investments are recorded at amortized cost, which approximates fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The fair value of the District's position in the PTIF investment pool is the same as the value of the pool shares. Changes in the fair value in investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to funds based on the average earnings of each participating fund.

Cash and Investments:

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

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

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2019, \$1,977,526 of the District's bank balances of \$2,227,526 was uninsured and uncollateralized.

Investments:

The State of Utah Money Management council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the District's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the County to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse purchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code* , Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2019, the District's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurers' Investment Fund	\$2,829,802	\$2,829,802	\$ -	\$ -	\$ -
Total	\$2,829,802	\$2,829,802	\$ -	\$ -	\$ -

Credit Risk

Credit risk is the risk than an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At December 31, 2019, the District's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$2,829,802	\$ -	\$ -	\$ -	\$2,829,802
Total	\$2,829,802	\$ -	\$ -	\$ -	\$2,829,802

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 for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments with a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The District places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk 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 or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2019, the District had \$2,829,802 in debt security investments, level 2, which were held by the investment's counterparty. The District places no other limits on the amount of investments to be held by counterparties.

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - PENSION PLAN

General Information about the Pension Plan

Plan Description:

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

Defined Benefit Plans

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.

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

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

The Utah retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah, 84102 or visiting the website: www.urs.org.

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page.

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

NOTE 7 - PENSION PLAN (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,462	\$ 3,157
Changes in assumptions	16,164	95
Net difference between projected and actual earnings on pension plan investments	24,772	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,368	-
Contributions subsequent to the measurement date	<u>46,940</u>	<u>-</u>
Total	<u>\$ 95,706</u>	<u>\$ 3,252</u>

\$46,940 as reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	<u>Deferred Outflows (Inflows) of Resources (Net)</u>
2019	\$ 19,990
2020	\$ 8,835
2021	\$ 3,852
2022	\$ 11,755
2023	\$ 149
Thereafter	\$ 934

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

NOTE 7 - PENSION PLAN (CONTINUED)

Actuarial Assumptions:

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40.00%	6.15%	2.46%
Debt Securities	20.00%	0.40%	0.08%
Real Assets	15.00%	5.75%	0.86%
Private Equity	9.00%	9.95%	0.89%
Absolute Return	16.00%	2.85%	0.46%
Cash and Cash Equivalent	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
			Inflation 2.50%
			Expected arithmetic nominal return 7.25%

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
 Continued

NOTE 7 - PENSION PLAN (CONTINUED)

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

Discount Rate:

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95% percent.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:

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

System	1% Decrease (5.95%)	Discount Rate 6.95%	1% Increase (7.95%)
Noncontributory System	\$ 227,051	\$ 110,786	\$ 13,968
Tier 2 Public Employees System	21,145	5,278	(6,967)
	\$ 248,196	\$ 116,064	\$ 7,001

Pension Plan Fiduciary Net Position:

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

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - PENSION PLAN (CONTINUED)

Defined Contribution Savings Plans:

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under section 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provision is available in the separately issued URS financial report.

Central Iron County Water Conservancy District participates in the following Defined Contribution Savings Plan with Utah Retirement Systems:

* 401(k) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plan for the years ended December 31, were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
401(k) Plan:			
Employer Contributions	\$ 1,899	\$ 2,078	\$ 2,183
Employee Contributions	\$ -	\$ -	\$ -

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
Measurement Date of December 31, 2018
December 31, 2019
 Last 10 Fiscal Years*

	<u>Noncontributory Retirement System</u>	<u>Tier 2 Public Employees Retirement System</u>
Proportion of the Net Pension Liability (Asset)		
2014	0.0119465%	0.0184212%
2015	0.0126339%	0.0147373%
2016	0.0139713%	0.0134021%
2017	0.0144995%	0.0125312%
2018	0.0150448%	0.0123242%
Proportionate Share of the Net Pension Liability (Asset)		
2014	\$ 51,875	\$ (558)
2015	\$ 71,489	\$ (32)
2016	\$ 89,713	\$ 1,495
2017	\$ 63,527	\$ 1,105
2018	\$ 110,786	\$ 5,278
Covered Employee Payroll		
2014	\$ 74,450	\$ 90,318
2015	\$ 78,458	\$ 95,202
2016	\$ 89,795	\$ 109,911
2017	\$ 90,691	\$ 122,629
2018	\$ 91,000	\$ 144,112
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll		
2014	69.70%	-0.60%
2015	91.12%	-0.03%
2016	99.91%	1.36%
2017	70.05%	0.90%
2018	121.74%	3.66%
Plan Fiduciary Net Position as a Percentage of its Covered-Employee Payroll		
2014	90.20%	103.50%
2015	87.80%	100.20%
2016	87.30%	95.10%
2017	91.90%	97.40%
2018	87.00%	90.80%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. This schedule will need to be built prospectively. The schedule above is for 2014, 2015, 2016, 2017, and 2018.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
December 31, 2019**

	<u>As of Fiscal Year Ended June 30,</u>	<u>Actuarial Determined Contributions</u>	<u>Contributions in Relation to The Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions As a Percentage of Covered Employee Payroll</u>
<hr/>						
Noncontributory System	2014	\$ 13,312	\$ 13,312	\$ -	\$ 74,450	17.88%
	2015	\$ 14,491	\$ 14,491	\$ -	\$ 78,458	18.47%
	2016	\$ 16,585	\$ 16,585	\$ -	\$ 89,795	18.47%
	2017	\$ 16,751	\$ 16,751	\$ -	\$ 90,691	18.47%
	2018	\$ 16,808	\$ 16,808	\$ -	\$ 91,000	18.47%
	2019	\$ 17,265	\$ 17,265	\$ -	\$ 93,479	18.47%
<hr/>						
Tier 2 Public Employees System*	2014	\$ 13,065	\$ 13,065	\$ -	\$ 90,318	14.47%
	2015	\$ 14,210	\$ 14,210	\$ -	\$ 95,202	14.93%
	2016	\$ 16,388	\$ 16,388	\$ -	\$ 109,911	14.91%
	2017	\$ 18,416	\$ 18,416	\$ -	\$ 122,629	15.02%
	2018	\$ 22,082	\$ 22,082	\$ -	\$ 144,112	15.32%
	2019	\$ 29,674	\$ 29,674	\$ -	\$ 189,178	15.69%
<hr/>						

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

Paragraph 81b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
For the Year Ended December 31, 2019**

Changes In Assumptions:

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year

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, 2019, 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 20, 2020.

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.

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*.

We noted a certain matter that we reported to the management of Central Iron County Water Conservancy District in the accompanying *Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide*.

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, PC

Certified Public Accountants

May 20, 2020
Richfield, Utah

Kimball & Roberts

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

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

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

Report on Compliance with General State Compliance Requirements

We have audited Central Iron County Water Conservancy District's compliance with the applicable state 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 for the year ended December 31, 2019.

State compliance requirements were tested for the year ended December 31, 2019 in the following areas:

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

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 with general state compliance requirements. 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *State Compliance Audit Guide*.

The District's response to the noncompliance finding identified in our audit is described below. 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.

Finding: State Compliance – Open and Public Meetings Act, Annual Training

We noted members of the governing body were not provided with annual training on the requirements of open and public meetings.

Auditor's Recommendation:

We noted that the presiding officer has not provided the governing board with annual training on the requirements of open and public meetings.

Central Iron County Water Conservancy District's Response:

The presiding officer will provide the annual training on open and public meetings to the governing board.

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.

The Honorable Board Members
Central Iron County Water Conservancy District
Page -2-

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, PC

Certified Public Accountants

May 20, 2020
Richfield, Utah