MAGNA WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2018

MAGNA WATER DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Magna Water District
Magna, Utah

Report on Financial Statements

We have audited the accompanying financial statements of Magna Water District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Magna Water District, as of December 31, 2018, and the changes in financial position, and cash flows 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 certain disclosures relating to pensions as listed in the table of contents as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in net position and the schedule of revenues, expenses, and changes in net position – compared with budget are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
July 30, 2019

MAGNA WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

As management of Magna Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018.

Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $68,030,009 (net position). Of this amount, $13,774,434 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net position increased by $3,791,815. This increase is reflective of the District's proactive practices in upgrading, replacing, and adding facility infrastructure. The capital assets increased by $4.3 million, a 7.6% from 2017, totaling approximately $61.5 million. The operating revenue also increased by $834,307 an 11.6% increase, this is most likely a result of a small rate increase in the base rate and the 4-tiered rate structure in water and a small increase in the sewer base rate. The District has also experienced additional growth in 2018 compared to 2017 causing additional services revenue. Part of the increase in the net position is due from the non-operating revenue, which totals approximately $1.2 million in 2018, an increase of 31.6% from 2017. The operating expenses increased by a small percentage of 5.3% from 2017. Expenses were maintained due to the District's proactive measures for maintenance rather than reactive, which is typically less expensive. Management and Staff of the District are mindful of maintaining costs and make every effort to control costs when possible.

The District's total long-term debt decreased by $1,611,728 during the current fiscal year, as represented in Note 4 to the financial statements. Primarily the decrease is due to the principle payments being made during the year. However, a new actuary of the District's OPEB plan produced a lower net OPEB obligation of $244,869.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. 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.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. 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.

The statement of revenues and expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal 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 (e.g., uncollected taxes earned and not received and unused sick leave for employees).

The District maintains one type of proprietary fund, an enterprise fund. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget and actual amounts.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $68,262,009 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (71%) reflects its investment in capital assets (e.g., land, buildings, pipelines, machinery, and equipment); net of any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	2018	2017
Current and other assets	$ 37,493,667	$ 38,214,019
Capital assets	61,485,744	57,133,045
Total Assets	98,979,411	95,347,064
Deferred outflow of resources	363,656	533,464
Long-term liabilities outstanding	27,870,715	29,482,443
Other liabilities	3,210,343	1,927,891
Total Liabilities	31,081,058	31,410,334
Net investment in capital assets	48,641,094	43,975,299
Restricted	5,846,481	9,722,338
Unrestricted	13,774,434	10,772,557
Total Net Position	$ 68,262,009	$ 64,470,194

The restricted portion of the District's net position ($5,846,481) represents resources that are subject to external restrictions on how they may be used. There is an unrestricted fund balance amount of $13,774,434.

There was a decrease of $3,875,857 in restricted net position reported by the District. This resulted primarily from the District having funds restricted in 2017 that in 2018 became unrestricted due to the District paying off a bond which had bonding requirements over those funds. Now the bond is paid in full, the funds are no longer restricted.

The District's net position increased by $3,791,815 during the current fiscal year, as the District's operating and nonoperating revenues exceeded expenses for the year. As noted earlier, factors contributing to the increase in net position include investment in capital assets, increase in operating revenues and impact fees collected by new subdivisions, and contributed water and sewer lines by contractors.

	2018	2017
Operating revenues	$ 8,020,271	$ 7,185,964
Non-operating revenues	4,963,369	3,772,230
Total Revenues	12,983,640	10,958,194
Depreciation and amortization expense	3,094,816	3,055,593
Other operating expenses	6,194,145	5,885,196
Non-operating expenses	650,099	466,812
Total Expenses	9,939,060	9,407,601
Income before capital contributions	3,044,580	1,550,593
Capital contributions	453,401	497,140
Change in Net Position	3,497,981	2,047,733
Total Net Position, Beginning of Year	64,764,028	62,422,461
Total Net Position, End of Year	$ 68,262,009	$ 64,470,194

Major sources of revenue for the District consist of charges for services, property taxes, impact fees collected from new subdivisions, and other non-operating revenues. These sources account for approximately 97% of the Districts revenues before capital contributions.

Total operating revenues increased by approximately 11.6% from the prior year, while total expenses also increased by approximately 5.3%, leading to an increase in income before capital contributions in 2017 as compared to the previous year. The capital contributions slightly decreased in 2018 as compared to 2017 due to a decrease of development accepted and closed out. While there is substantial growth within the District occurring, the District does not recognize the developments until the projects are complete and final, therefore, depending on the status of the project the District may show the actual growth 2 – 3 years after which the development is complete. The increase in operating revenue is primarily due to adopted rate increases. The increase in expenses is primarily due to increases in salaries and benefits, depreciation, and various other miscellaneous operational expenses.

Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets as of December 31, 2018 amounts to $61,485,744 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, wells and springs, supply and transmission mains for water distribution and sewer collection, construction in progress, plant and sewer systems, and machinery and equipment. The total increase in the District’s investment in capital assets for the current fiscal year was approximately 7.6%.

	2018	2017
Land	$ 1,854,730	$ 1,868,730
Buildings and improvements	4,046,861	4,528,845
Water system	50,032,317	49,877,360
Secondary system	6,420,054	6,251,693
Sewer treatment plant	24,789,825	24,745,267
Sewage collection lines	9,581,904	9,451,249
Machinery and equipment	2,711,111	2,624,295
Water rights and easements	640,102	608,645
Construction in progress	9,204,899	2,543,349
Total Capital Assets	109,281,803	102,499,433
Less accumulated depreciation	(47,796,059)	(45,366,388)
Total Capital Assets, net of depreciation	$ 61,485,744	$ 57,133,045

Additional information on the District's capital assets can be found in Note 3 to the financial statements.

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of $27,870,715. Of this amount, $5,291,000 is outstanding as revenue bond debt, $496,695 relates to amounts outstanding on a water resource loan, $20,248,400 is outstanding as general obligation bond debt, and $258,725 relates to amounts outstanding on capital leases. Pursuant to a new GASB Ruling, the District also now recognizes a long-term debt for OPEB Obligations in the amount of $1,385,434, and a debt for pension liability in the amount of $385,770.

	2018	2017
General obligation bonds	$ 20,248,400	$ 21,338,866
Revenue bonds	5,291,000	5,569,000
Water resource loan	496,695	544,648
Capital lease	282,281	258,725
Net OPEB obligations	1,140,565	1,385,434
Net Pension Liability	411,774	385,770
Total	$ 27,870,715	$ 29,482,443

Additional information of the District's long-term debt can be found in Note 4 to the financial statements.

Reserve Funds
The District held $591,470 in reserve and replacement funds at the end of the current fiscal year, which are mandated by the District's revenue bonds.

Reserve and Fee Structure
In 2012, the District began to update its Impact Fee Facilities Plan (the Plan) to evaluate the capital facility and revenue needs of the water, sewer, and secondary systems in order to continue to service the District's growth. The Plan looks at the condition of the District through the projected year of 2030. The District adopted the Impact Fee Facility Plan, an Impact Fee Analysis, and an Impact Fee Enactment in September of 2013. The enactment adopted increased the impact fee for the water, sewer, and secondary water system. The District evaluated the revenue requirements of the District and subsequently adopted a rate increase effective January 1, 2014. The rates are planned to increase in small increments through 2019.

Planned Future Capital Improvements

The District has many construction plans for their facilities within the next three years. The District has been in construction of a brine line to transfer waste brine from the water treatment facility directly to the Wastewater Treatment Plant effluent; the project is nearly 98% complete and has expended $2.5 million on the brine line. An upgrade to the booster pump station on 8000 west has been in construction for the culinary water system and to allow extra capacity to add a secondary water pump station in the same facility when needed in the future. The booster station upgrade is near completion with a contract of approximately $1.3 million. A future secondary reservoir site is being studied to build another reservoir for the future. There has been an engineering contract executed to begin engineering on the future secondary water reservoir in the amount of $142,000 with Epic Engineering, there has been approximately $113,000 of that contract expended at the end of the 2018 fiscal year. The District is in the construction of upgrading the wastewater treatment plant due to the implementation of new federal regulations. A construction contract has been executed in the amount of $14.7 million for construction costs. An engineering contract has also been executed for approximately $1,120,662. There is also a contract for materials testing on the wastewater treatment plant project of $57,111.

Several existing culinary and collection pipelines, old and in need of upsizing and repairs are being replaced with new piping and upgraded.

Each year, including the past couple of years the District is maintaining and lining the manholes to restore and increase the life of the manhole which is a preventative maintenance measure.

The District is still in the process of seeking funding to extend the secondary system, in addition to that, the District established a subsidy fee that is charged to each culinary water customer that will be collected and set aside for the secondary water system expansion. In 2019 the Board of Trustees made the decision to cease charging this subsidy fee. The District will no longer be collecting this fee beginning 01/01/2019.

As always, the Board of Trustees, the Management Team, and Staff do their best to satisfy our customers and to improve our system. The District follows a master plan that is reviewed each year. The District is in the process of upgrading the master plan. The final plan is scheduled to be completed in 2019. The District has contracted in 2019 with Bowen Collins Associates to complete the plan for approximately $99,000.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Magna Water District, Attention: District Manager, PO Box 303, Magna, Utah 84044.

BASIC FINANCIAL STATEMENTS

MAGNA WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

Assets	
Current Assets:	
Cash and cash equivalents	$ 16,268,080
Receivables:	
Property tax	72,399
Customers, net	748,898
Other	385,183
Prepaid expenses	23,071
Inventories	334,958
Total Current Assets	17,832,589
Noncurrent Assets:	
Restricted cash and cash equivalents	19,620,794
Capital Assets:	
Capital assets not being depreciated	11,699,729
Capital assets being depreciated, net of accumulated deprecation	49,786,015
Total Capital Assets, net of accumulated depreciation	61,485,744
Water rights and shares held for sale	40,284
Total Noncurrent Assets	81,146,822
Total Assets	98,979,411
Deferred Outflow of Resources	
Assumption changes related to Pensions	363,656
Total Deferred Outflow of Resources	$ 363,656

The accompanying notes are an integral part of these financial statements.

MAGNA WATER DISTRICT
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2018

Liabilities		
Current Liabilities:		
Accounts payable	$	1,987,992
Accrued liabilities		371,413
Compensated absences		63,517
Retainage payable		300,587
Deferred revenue		353,143
Accrued Interest payable		133,691
Capital lease obligations - current		66,852
General obligation bonds payable - current		1,055,000
Revenue bonds payable - current		216,000
Water Resource loan payable - current		48,433
Total Current Liabilities		4,596,628
Noncurrent Liabilities:		
Net other postemployment benefits obligation		1,140,565
Capital lease obligations		215,429
General obligation bonds payable		19,193,400
Revenue bonds payable		5,075,000
Water Resource loan payable		448,262
Net Pension Liability		411,774
Total Noncurrent Liabilities		26,484,430
Total Liabilities		31,081,058
Net Position		
Net investment in capital assets		48,641,094
Restricted:		
Debt service		636,530
Capital projects		5,209,951
Unrestricted		13,774,434
Total Net Position	$	68,262,009

The accompanying notes are an integral part of these financial statements.

MAGNA WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues:	
Water sales	$ 4,178,221
Sewer service charges	3,344,500
Connection fees and other income	497,550
Total Operating Revenues	8,020,271
Operating Expenses:	
Salaries and benefits	3,057,304
Contractual services	551,471
Materials and supplies	1,265,410
Utilities	683,508
Depreciation and amortization	3,094,816
Lease expense	15,970
Other operating expenses	620,482
Total Operating Expenses	9,288,961
Operating Income (Loss)	(1,268,690)
Nonoperating Revenues (Expenses):	
Property tax revenue	3,270,568
Non-resident fee in lieu of property tax	53,707
Impact fees	440,450
Gain (loss) on sale of assets	321,092
Other non-operating income	213,301
Interest income	664,251
Interest expense	(650,099)
Total Nonoperating Revenues (Expenses)	4,313,270
Income Before Capital Contributions	3,044,580
Capital Contributions	453,401
Change In Net Position	3,497,981
Total Net Position, Beginning of Year as restated	64,764,028
Total Net Position, End of Year	$ 68,262,009

The accompanying notes are an integral part of these financial statements.

MAGNA WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities	
Receipts from customers and users	$ 8,095,486
Payments to suppliers	(1,504,405)
Payments to employees	(3,254,402)
Net Cash From Operating Activities	3,336,679
Cash Flows From Noncapital Financing Activities	
Property tax collected for maintenance and operations	1,439,136
Net Cash From Noncapital Financing Activities	1,439,136
Cash Flows From Capital and Related Financing Activities	
Receipts from impact fees	440,450
Property tax collected for debt service	1,795,803
Fee in lieu of property tax	53,707
Proceeds from capital lease	337,605
Proceeds from capital debt	-
Purchases and construction of capital assets	(7,279,380)
Principal paid on capital debt	(1,355,953)
Payments on capital lease	(314,049)
Interest paid on capital debt	(717,763)
Receipts of non-operating revenues	213,301
Proceeds from sale of capital assets	547,084
Payment of debt issuance costs	-
Net Cash From Capital and Related Financing Activities	(6,279,195)
Cash Flows From Investing Activities	
Interest income	664,251
Proceeds from sale of water rights and shares	8,325
Net Cash From Investing Activities	672,576
Net Increase (Decrease) in Cash and Cash Equivalents	(830,804)
Cash and Cash Equivalents, Beginning of Year	36,719,678
Cash and Cash Equivalents, End of Year	$ 35,888,874

The accompanying notes are an integral part of these financial statements.

MAGNA WATER DISTRICT
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

Reconciliation of Operating Income to Net Cash From Operating Activities:

Operating Income (Loss)	$	(1,268,690)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		3,094,816
Non cash expenses related to OPEB		244,869
Non cash expenses related to pension costs		303,323
Changes in operating assets and liabilities:		
(Increase) Decrease in Current Assets :		
Receivables		(39,215)
Prepaid expenses		(8,744)
Inventories		(35,189)
Prepaid pension costs		-
Increase (Decrease) in Current Liabilities:		
Accounts payable		987,119
Accrued liabilities		(44,679)
Compensated absences		(9,419)
Retainage payable		242,927
Deferred revenue		114,430
Net other postemployment benefits obligation		(244,869)
Net Cash From Operating Activities	$	3,336,679

The accompanying notes are an integral part of these financial statements.

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Magna Water District, Utah (the District) is a local district governed by an elected three member board. Generally accepted accounting principles require that these financial statements present the government and its component units, entities for the government is considered to be financially accountable. The District was created July 7, 1949 by a resolution of the Board of County Commissioners of Salt Lake County. Salt Lake County has no oversight responsibility over the District and the District is not reported as a component unit of Salt Lake County. The District has no blended or discretely presented component units.

Measurement Focus and Basis of Accounting

The District is an enterprise fund, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and sewer services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting to the budget is the same basis as the financial statements.

A formal budget has been adopted and used as a control device during the year ended December 31, 2018.

The District follows the following procedures in its budgetary process:

1. During November of each year the District adopts a tentative annual budget for the upcoming calendar year.

2. The tentative budget is a public record and is available for the public inspection.

3. At least ten (10) days prior to the second Thursday in December of each year, the District publishes a notice of public hearing for the purpose of adopting a budget on the District's website and on the State's public notice website publicnotice.utah.gov.

4. On the second Thursday in December, the budget is formally adopted after consideration of public comment.

No budget is required to be presented with these financial statements. State law allows the District to amend the proprietary fund budget without public hearing or public notice.

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

The District considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents". All restricted and non-restricted cash amounts are considered to be cash and cash equivalents for statement of cash flow purposes.

Allowance for Doubtful Accounts

Accounts receivable are stated net of allowance for doubtful accounts of $2,975. The allowance for doubtful accounts is based on the District's prior collection experience.

Inventories

The District maintains inventories of pipe, repair parts, hydrants, and water meters. Inventories are stated at the lower of cost or market using the first in/first out (FIFO) method.

Property and Equipment

Property and equipment include land, buildings and improvements, water and sewer systems, water shares, and machinery and equipment. Property and equipment are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized during the current year.

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

Water utility plant	20 to 50 years
Sewer utility plant	30 to 50 years
Buildings and structures	30 to 40 years
Equipment	3 to 15 years
Furniture and fixtures	5 to 10 years

Employee Benefits and Compensated Absences

The District provides pension, medical, dental, vision, and life insurance to its employees, most of which are negotiated by contract with the Teamsters Union. Employees are also provided paid holidays and vacation pay, which does not accumulate from year to year, but a maximum of 40 hours can be cashed out at the end of each year. Sick leave accumulates at a rate of one-half day per month, can be carried over from year to year without limitation, and is paid out in full upon termination of employment to the extent that an employee is not terminated for cause.

Property Tax Revenues

Property taxes are assessed and become a lien against the property on January 1st. Property taxes become delinquent after November 30th. The District's tax rate for 2018 was 0.002084 which is comprised of 0.000667 for operations and maintenance, and 0.001417 for debt service. The statutory maximum set by the state for operations and maintenance is 0.000800. There is no statutory maximum for the reduction of general obligation bonds.

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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

NOTE 2 CASH AND CASH EQUIVALENTS

Following are the components of the District's cash and investments at December 31, 2018:

Cash and cash equivalents	$	16,268,080
Restricted cash and cash equivalents		19,620,794
	$	35,888,874

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) (the Act) in handling its depository and temporary investment transactions. This law requires the deposit of District funds in a "qualified depository." The Act defined 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. However, the District does not have a separate deposit and investment policy that addresses the specific types of deposit and investment risk to which the District is exposed.

Custodial credit risk – deposits is the risk that in event of a bank failure, the District's deposits may not be returned to it. At December 31, 2018, the carrying amount of the District's deposits was $15,288,117, and the bank balance was $15,292,984. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposits of public money at individual financial institutions, and the District follows these recommendations. Of the amounts held in deposit at December 31, 2018, $14,792,984 was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of a 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's investment in the Utah Public Treasurer's Investment Fund (PTIF) has no custodial credit risk.

Interest Rate Risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risks 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 Investment Services or Standard and Poors; banker acceptance 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

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

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 investment in the PTIF has no concentration of credit risk.

The District invests in the Utah Public Treasurer's Investment Pool (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. 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. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office.

The District measures its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

The fair value of PTIF investments is measured using the Level 2 as noted above. Money Market Funds are considered Level 2.

	Carrying Amounts	Fair Value	Weighted Average Maturity (Years)	Credit Rating (1)
Cash on hand and on deposit:				
Cash on hand	$ 1,300	$ 1,300	N/A	N/A
Cash on deposit	15,288,117	15,288,117	N/A	N/A
Total cash on hand and deposit	$ 15,289,417	$ 15,289,417		
Investments				
State of Utah Public Treasurer's Investment Fund	$ 20,367,017	$ 20,361,471	N/A	N/A
Money Market Funds	232,440	232,440		
Total investments	$ 20,599,457	$ 20,593,911		

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

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 CAPITAL ASSETS

The District depreciates its capital assets using the straight-line method. A summary of the capital asset activity for the year ended December 31, 2018 is as follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital Assets, not being depreciated:				
Land	$ 1,868,730	$ -	$ (14,000.00)	$ 1,854,730
Water rights, water shares, and easements	608,645	31,457	-	640,102
Construction in progress	2,543,349	6,685,157	(23,607)	9,204,899
Total Capital Assets, not being depreciated	5,020,724	6,716,614	(37,607)	11,699,731
Capital Assets, being depreciated:				
Buildings and improvements	4,528,845	-	(481,984)	4,046,861
Water system	49,877,360	188,886	(33,929)	50,032,317
Secondary water system	6,251,693	170,959	(2,598)	6,420,054
Sewer treatment plant	24,745,267	44,558	-	24,789,825
Sewage collection lines	9,451,249	130,655	-	9,581,904
Machinery and equipment	2,624,295	509,446	(422,630)	2,711,111
Total Capital Assets, being depreciated	97,478,709	1,044,504	(941,141)	97,582,072
Total Capital Assets	102,499,433	7,761,118	(978,748)	109,281,803
Less Accumulated Depreciation:				
Buildings and improvements	(543,995)	(134,895)	467,395	(211,495)
Water system	(22,569,284)	(1,668,338)	33,929	(24,203,693)
Secondary water system	(1,615,563)	(195,010)	2,508	(1,808,065)
Sewer treatment plant	(13,168,265)	(634,490)	-	(13,802,755)
Sewage collection lines	(6,172,769)	(238,288)	-	(6,411,057)
Machinery and equipment	(1,296,512)	(223,795)	161,313	(1,358,994)
Total Accumulated Depreciation	(45,366,388)	(3,094,816)	665,145	(47,796,059)
Capital Assets, net	$ 57,133,045	$ 4,666,302	$ (313,603)	$ 61,485,744

NOTE 4 LONG TERM OBLIGATIONS

The following is a summary of long-term debt obligations of the District for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 20,280,000	$ -	$ (1,030,000)	$ 19,250,000	$ 1,055,000
Premiums	1,058,866	-	(60,466)	998,400	-
Revenue bonds	5,569,000	-	(278,000)	5,291,000	216,000
Total bonds payable	26,907,866	-	(1,368,466)	25,539,400	1,271,000
Water resource loan	544,648	-	(47,953)	496,695	48,433
Capital leases	258,725	337,605	(314,049)	282,281	66,852
Total Long-Term Liabilities	$ 27,711,239	$ 337,605	$ (1,730,468)	$ 26,318,376	$ 1,386,285

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds that were issued in prior years with amounts still outstanding as of December 31, 2018 was $22,220,000.

General Obligation bonds are direct obligation and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Purpose	Issue Date	Original Borrowing	Interest Rates	Final Maturity	Amount
Refunding	2013	8,245,000	2.00 - 3.00%	2029	$ 5,755,000
Water treatment facilities	2017	13,975,000	2.00 - 3.00%	2037	13,495,000
					$ 19,250,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 1,055,000	$ 589,275	$ 1,644,275
2020	1,090,000	557,625	1,647,625
2021	1,120,000	524,200	1,644,200
2022	1,160,000	488,509	1,648,509
2023	1,190,000	450,881	1,640,881
2024-2028	5,845,000	1,632,591	7,477,591
2029-2033	4,220,000	835,631	5,055,631
2034-2038	3,570,000	218,400	3,788,400
Total	$ 19,250,000	$ 5,297,112	$ 24,547,112

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 LONG TERM OBLIGATIONS (Continued)

Covenant Requirements

Both the 2013 and the 2017 bond agreements require the District to levy all taxable property, in addition to all other taxes, a direct annual tax sufficient to pay the principal and interest on these bonds.

Revenue Bonds

The District also issues bonds where the District pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years with amounts still outstanding as of December 31, 2018 was $7,100,000. Revenue bonds outstanding at year end are as follows:

Purpose	Issue Date	Original Borrowing	Interest Rates	Final Maturity	Amount
Water treatment plant	2007	7,100,000	1.50%	2039	5,291,000
					$ 5,291,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 216,000	$ 79,365	$ 295,365
2020	219,000	76,125	295,125
2021	223,000	72,840	295,840
2022	226,000	69,495	295,495
2023	230,000	66,105	296,105
2024-2028	1,200,000	277,815	1,477,815
2029-2033	1,293,000	185,040	1,478,040
2034-2038	1,393,000	85,155	1,478,155
2039-2043	291,000	4,365	295,365
Total	$ 5,291,000	$ 916,305	$ 6,207,305

Reserve requirements

The District is required to establish reserve accounts to provide for proper service of the 2007 Water Revenue Bonds. Following is a description of these reserve accounts.

The District is required to make monthly contributions to a Reserve Account to be used to pay principal falling due on the 2007 Bonds at any time when there are not sufficient funds to pay the same. Required monthly contributions to this Reserve Account are $4,935 until the account balance reaches $296,105. As of December 31, 2018, required reserve fund balances were fully funded.

The District is also required to set aside funds sufficient to cover debt service principal and interest payments for the succeeding year. As of December 31, 2018, required reserve fund balances were fully funded.

NOTE 4 LONG TERM OBLIGATIONS (Continued)

Required reserve fund balances as of December 31, 2018 are as follows:

	2007 Series	
	Amount Required	Amount on Deposit
Reserve accounts	$ 296,105	$ 296,105
Debt service accounts	295,365	295,365
Total reserve requirements	$ 591,470	$ 591,470

<u>Water Resource Loan</u>

The District has entered into an agreement with the State of Utah Division of Water Resources (State) for the construction of a secondary water system. The State agreed to advance the District $1,175,000 at an annual interest rate of 1.00% to fund construction on the project.

Annual debt service requirements to maturity for the Water Resource loan are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 48,433	$ 4,967	$ 53,400
2020	48,917	4,483	53,400
2021	49,407	3,993	53,400
2022	49,901	3,499	53,400
2023	50,400	3,000	53,400
2024-2028	249,638	7,340	256,978
2028	-	0	
Total	496,695	27,283	$ 523,978

<u>Capital Leases</u>

The District has entered into lease agreements as lessee for financing the acquisition of various vehicles. The leases carry interest rate of 3.620% and maturity dates in 2022. During 2018, the District returned the vehicles from all previous capital leases and then subsequently entered into a new capital lease agreements. These new lease agreement qualify as capital lease for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Total depreciation expense for the leased vehicles was $17,468 for the year ended December 31, 2018 and is included in depreciation and amortization on the statement of revenues, expenses, and changes in net position. Interest expense related to the leases was $7,639 for the year ended December 31, 2018.

The assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	$ 334,305
Less: Accumulated depreciation	(17,468)
Total	$ 316,837

NOTE 4 LONG TERM OBLIGATIONS (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

Year Ending December 31,	Payments
2019	$ 77,070
2020	77,071
2021	77,070
2022	77,071
Total minimum capital lease payments	308,282
Less: amounts representing interest	(26,001)
Present value of net minimum capital lease payments	282,281
Less: current portion	(66,852)
Long-term capital lease obligations	$ 215,429

NOTE 5 UNION EMPLOYEES PENSION PLAN

Most full-time District employees are members of the Western Conference Teamsters Pension Plan (the Plan). The Plan is a cost-sharing multiple-employer defined benefit pension plan. The Plan is administered by the Board of Trustees of the Plan, who have authority to amend the benefits provided by the Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. As of December 31, 2018 there were 19 employees participating in the Plan. Participants in the Plan normally must be vested over a five-year period prior to receiving benefits.

The District makes pension contributions to the Plan, on behalf of covered employees at the rate of $4.75 $4.90 and $5.05 an hour for the years ended December 31, 2017, 2018 and 2019. The contribution rates of the district are determined pursuant to a collective-bargaining agreement, covering the period June 1, 2015 through May 31, 2019. The Plan has no minimum contribution requirements. If the District withdraws form the Plan, they will be liable to the Plan in the amount determined under the Plan's Agreement & Declaration of Trust section 10 which can be found at http://www.wctpension.org/forms-documents-webcasts/plan-documents.

The WCTPP issues a publicly available financial report which can be obtained at http://www.wetpension.ort/forms-documents-webcasts/plan-documents. Additional information regarding the Plan may be obtained by accessing the aforementioned audited financial report.

District contributions to the Plan were $227,391, $207,315, and $210,274, for 2018, 2017, and 2016, respectively. The District did not have any amount due the Plan as of December 31, 2018.

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN

Plan Description. The Magna Water District Defined Benefit Plan (the Plan) is a single-employer defined benefit plan. The Plan's provisions were adopted by a resolution of the Water District's Board of Trustees, which appoints those who serve as trustees of the Plan. Any amendments to the plan are adopted by a resolution of the Water District's Board of Trustees.

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)

Benefits provided. The Plan covers all eligible employees and provides retirement benefits to plan members and their beneficiaries. Eligible employees are the executive employees who do not qualify to participate in the Union Employees Pension Plan described in the previous note. Retirement benefits are as follows:

Years of service required	Age eligibility for benefit	Monthly Benefit amount per year
5 years	Must be age 55 or older	$204.38 per year of credited service

Participation. As of December 31, 2018, there were 4 active participants, -0- inactive participants and -0- retirees and beneficiaries.

Contributions. Through December 31, 2018 contributions to the Plan were recommended by the annual actuarial report and are approved by the Water District's Board of Trustees. As of January 1, 2014 a contribution bases on a fixed dollar amount was approved by the Water District's Board of Trustees. The dollar amount will be reviewed by the Board of Trustees annually as updated actuarial valuation reports become available. The Board of Trustees approved a contribution of $188,030 for 2016, $120,419 for 2017, $143,000 for 2018, and $118,000 for 2019 through 2035. This contribution rate is consistent with the Water District's adopted Plan funding policy which is focused on keeping the Plan's funding at 100% within 8 years. Post 2034 contributions are assumed equal to the $118,000 from the 01/01/2019 plan funding valuation. The actual amount contributed by the employer during the 2018 fiscal year was $143,000.

Reporting. The Plan issues a publicly available financial report that includes statements and required supplementary information of that plan. This report may be requested from the Water District's Controller's office.

By Mail: Magna Water District
District Controller's Office
8885 West 3500 South
Magna, UT 84044
By Email: leisle@magnawater.com
By Phone: 801-250-2118 ext. 107

Net Pension Liability: At December 31, 2018, the District reported a net pension liability of $411,774. The net pension liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures.

Deferred outflows of resources and deferred inflows of resources: At December 31, 2018, the District reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

	Deferred inflows of resources	Deferred outflows of resources
Differences between expected and actual experience	$ -	$ 79,413
Changes of assumptions		254,441
Net difference between projected and actual earnings		29,802
Contributions made subsequent to measurement date		
Total	$ -	$ 363,656

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)

Average remaining service as of the beginning of the year is: 10.25

Year ended December 31	Deferred outflows (inflows of resources)
2019	59,368
2020	59,368
2021	59,368
2022	59,368
Thereafter	126,185

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	0%
Salary increases	0%
Investment rate of return	5%
Mortality	1994 Group annuity mortality table using blended rate No pre-retirment mortality was used.

Long-term rate of return. The long-term rate of return is selected by the Plan's Pension Committee after a review of expected inflation and long-term real returns, reflecting volatility and correlation. Best estimates of arithmetic real rates of return for major asset class included in the Plan's target asset allocations as of December 31, 20187 is summarized in the table below:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Return
Cash & Fixed Income	100%	3.00%	3.00%
Mutual Funds	0%	0.00%	0.00%
Total	100%		3.00%
		Inflation	2.00%
	Expected arithmetic nominal return		5.00%

The 5% assumed investment rate of return is comprised of an inflation rate of 2% and a real return of 3%.

Discount rate. The discount rate used to measure the total pension liability was 5%. The projection of cash flows used to determine the discount rate assumed contributions rates as recommended by the District's Pension Committee and approved by the Board of Trustees. Based on the assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments on current active and inactive participants. 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 following sensitivity analysis assumes rate volatility of plus and minus one percent of the discount rate of 5%.

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)

	1% Decrease 4%	Discount Rate 5%	1% increase 6%
Total pension liability	$ 1,583,344	$ 1,449,224	$ 1,399,692
Fiduciary net position	1,037,450	1,037,450	1,037,450
Net pension liability	545,893	411,774	362,241

Schedule of funding progress. The following tables show the pension plan's funding progress over the past 5 years.

Year ended	Actuarial determined contribution	Actual employer contribution	% of actual to actuarial contribution	Balance net pension obligation/ prepaid
12/31/2018	$ 110,308	$ 143,000	129.64%	$ 32,692
12/31/2017	130,018	120,419	92.62%	(9,599)
12/31/2016	92,570	188,030	203.12%	95,460
12/31/2015	101,980	257,245	252.25%	155,265
12/31/2014	79,336	119,526	150.66%	40,190
12/31/2013	87,908	91,092	103.62%	3,184

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded AAL (UAAL)	Funded ration	Approximate covered payroll	UAAL as a % of covered payroll
12/31/2018	$ 1,037,450	$1,449,224	$ 411,774	71.59%	$ 537,984	76.54%
12/31/2017	$ 951,912	$1,337,682	$ 385,770	71.16%	$ 544,150	70.89%
12/31/2016	$ 814,575	$1,017,441	$ 202,866	80.06%	$ 404,799	50.12%
12/31/2015	$ 613,688	$ 955,070	$ 341,382	64.26%	$ 407,340	83.81%
12/31/2014	$ 416,028	$ 462,164	$ 46,136	90.02%	$ 355,160	12.99%
12/31/2013	$ 455,985	$ 431,710	$ (24,275)	105.62%	$ 368,051	-6.60%

NOTE 7 UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS

In accordance with the Union contract, the District contributes at the rate of $111.66 per active employee per month to the Utah-Idaho Teamsters Security Fund, which in turn provides post-retirement healthcare benefits to all eligible retired employees. Contributions to the fund amounted to $26,240 for 2018.

NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses by purchasing health insurance. It also provides life and long-term care insurance for eligible retirees through age 75. Benefit provisions are established by the Board of Trustees and are defined in the District's Administrative Rules and Regulations. No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75. The OPEB Plan does not issue a publicly available financial report.

NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy. The District contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2018, the District contributed $33,454 to the OPEB Plan. The OPEB Plan is financed on a pay-as-you-go basis. It is the current policy of the District to set aside funds in a separate interest-bearing account, which is held by the District, in order to help meet, at least partially, the anticipated obligations of the OPEB Plan. As of December 31, 2018, the District had set aside $1,391,015 for the purpose of funding current and future OPEB obligations. However, as these funds are not held in trust and are unrestricted assets of the District, as no external restriction has been placed upon them, they are not considered assets of the OPEB Plan.

Employees covered by benefit terms. At December 31, 2018the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	5
	7

<u>Schedule of Changes in Total OPEB Liability for the Year Ended December 31, 2018</u>

The components of the Magna Water District's Total OPEB Liability as of December 31, 2018 were as follows:

Total OPEB Liability (TOL)		
Service cost at beginning of year	$	36,839
Interest on TOL plus service cost, less 1/2 benefit payments		45,580
Changes of benefit terms		-
Difference between expected and actual experience		-
Changes of assumptions		-
Benefit payments		(33,454)
Net change in Total OPEB Liability		48,965
Total OPEB Liability - beginning		1,091,600
Total OPEB Liability - ending	$	1,140,565

<u>Schedule of Collective Deferred Inflows and Deferred Outflows for the Year Ended December 31, 2018</u>

The current balances of collective deferred outflows and deferred inflows of resources as of December 31, 2018 were as follows:

	Deferred Outflows of resources		Deferred Outflows of resources	
Difference between expected and actual experience	$	-	$	-
Changes in assumptions		-		-
Net difference between projected and actual earnings on OPEB plan investments		-		-
	$	-	$	-

NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of resources	Deferred Outflows of resources
2019	$ -	$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-

These schedules are projected and are subject to revision as of December 31, 2019 for experience gains and losses between the valuation date and December 31, 2019; specifically, benefit payments greater than or les than expected, and any required changes in discount rate.

The average of expected remaining service lives was 7.220 as of December 31, 2017 and December 31, 2018 measurement dates.

Schedule of Collective Deferred Inflows and Deferred Outflows for the Year Ended December 31, 2018

The annual OPEB Expense recognized by the District can be calculated as the changes in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in Total OPEB Liability minus the changes in deferred outflows plus the changes in deferred inflows plus employer contributions.

The components of the annual OPEB Expense for the District as of December 31, 2018 were as follows:

Total OPEB Liability os of December 31, 2017 (a)	$ 1,091,600
Total OPEB Liability os of December 31, 2018 (b)	1,140,565
Change in Total OPEB Liability [(b)-(a)]	$ 48,965
Change in Deferred Outflows	-
Change in Deferred Inflows	-
Employer Contributions*	33,454
OPEB Expense	$ 82,419

*Actual pay-as-you-go.

Total OPEB Liability

The district's Total OPEB Liability of $1,140,565 was based on the actuarial valuation as of December 31, 2018 and a measurement date of December 31, 2018. For purposes of implementation of GASB 75, the Total OPEB Liability as of the beginning of 2018, based on the same actuarial valuation but using a measurement date of December 31, 2017, was $1,091,600. In determining this number, the results of the December 31, 2018 actuarial valuation were rolled back to the December 31, 2017 measurement date using standard actuarial techniques. There were no gains or losses for experience different than assumed or changes in actuarial assumptions for the initial year of implementation, due to use of actual 2018 benefit payments and a single discount rate for the year.

NOTE 8 NON-UNION EMPLOYEES OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions. The Total OPEB Liability was determine using an actuarial valuation as of December 31,2018, using the following actuarial assumptions:

Inflation	2.25%
Salary increases	3.00%, average, including inflation
Discount rate	4.10%, net of investment expense, including inflation
Healthcare cost trend rates	8.00% for 2018, decreaseing to 5.00% for 2021 and after
Retirees' share of cost	Retirees pay the balance of the premium after District percentage that depends on classification, year of hire, and years of service at retirement.

The discount rate was based on the bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 20147 through 2029, 50% of MP-2016 for years 2030 through 2049. And 20% of MP-2016 for 2050 and thereafter.

All actuarial assumptions used in measuring the Total OPEB Liability are described beginning on page 13 of the actuarial report. The assumptions were based on plan experience through December 31, 2018. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

Sensitivity of Total OPEB Liability to changes in the discount rate. The following presents the District's Total OPEB Liability as of December 31, 2018 calculated using the discount rate of 4.10%, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher(5.10%) than the current rate:

	1% Decrease (3.10%)	Current Rate (4.10%)	1% Increase (5.10%)
Total OPEB Liability	$ 1,336,479	$ 1,140,565	$ 983,163

Sensitivity of the Total OPEB Liability to changes in the healthcare trend rates. The following presents the District's Total OPEB Liability as of December 31, 2018, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare trend rates that are 1 percentage point lower (7.0% grading down to 4.0%) or 1 percentage point higher (9.0% grading down to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 4.0%)	Current Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB Liability	$ 981,313	$ 1,140,565	$ 1,341,189

NOTE 9 DEFINED CONTRIBUTION PLAN

Eligible (non-union) employees of the District may participate in the Magna Water District 401(k) Plan. The 401(k) Plan permits additional matching contributions up to three percent of eligible employee compensation. The District contributed $15,805, $15,343, and $16,455 for the years ended December 31, 2018, 2017, and 2016, respectively.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District purchased insurance through commercial policies. There were no significant reductions in coverage from the prior year, and there have not been any claims settled in excess of coverage for the past three years.

NOTE 11 COMMITMENTS

The District has entered into an agreement with the Jordan Valley Water Conservancy District to purchase a minimum of 800 acre feet of water annually. During the year ended December 31, 2017 the District purchased 767.05 acre feet, at a cost of $313,818.

The District has construction commitments outstanding at year end for projects which have been awarded totaling approximately $14,000,000. As of December 31, 2018, the District had approximately $12,200,000 remaining to pay on these contracts, for which no liability has been recorded because the contractor(s) have not yet performed the contract(s).

NOTE 12 CONTINGENCIES

Contamination of the groundwater aquifer by perchlorate, a potentially hazardous substance leaked into the groundwater by private industry and the federal government, has been studied and closely monitored by the District and the private industry firm currently involved. The private firm has been paying a portion of the District’s costs of these efforts. The District and the firm entered into an agreement in December 2005 concerning the removal of perchlorate from water produced by three of the District’s wells. Under the agreement, the firm agreed to pay for a substantial portion of the new treatment facility constructed by the District and for a portion of the operation and maintenance of that facility. The District issued bonds to finance this treatment facility and during 2017 the District received $-0- (fixed service cost) from the private industrial firm in connection with this agreement, which is reflected as other non-operating income on the statement of revenues, expenses, and changes in net position. The District did not receive any funds for the fixed service costs due to the fact that those payments were for a length of time only, and the last payment for the fixed service costs was received in 2015. The District also accrued as receivable approximately $213,000 in variable service costs from the private industrial firm in connection with its share of operations and maintenance costs of the facility, which is reflected as other non-operating income on the statement of revenues, expenses, and changes in net position. The agreement that was signed in 2005 has been renewed, having expired in 2015. The new agreement still states that the private industrial firm involved will make operation and maintenance contributions to assist on the ongoing maintenance of the treatment plant. The new agreement, as in the old agreement, has a provision for a partial refund to the firm if future perchlorate standards merit such a refund. There is also a limited waiver of liability for the firm, subject to the terms and conditions of the agreement.

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 PRIOR PERIOD ADJUSTMENTS

In 2018 the District has implemented the Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the net effect of GASB 75 was $293,834

		2018
Total Net Position, January 1	$	64,470,194
Restatements		
Net effect of implementing GASB 75		293,834
Restated Total Net Position, January 1	$	64,764,028

REQUIRED SUPPLEMENTAL INFORMATION

MAGNA WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
Years ended December 31, 2018 and four preceding years

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - 10 YEARS

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 45,688	$ 47,685	$ 32,718	$ 34,243	$ 75,558
Interest on total pension liability	69,169	53,257	49,389	24,820	33,039
Effect on economic/demographic (gains) or losses	(179,274)	(62,648)	(333,724)	65,248	-
Effect of assumption changes and inputs	254,441	281,948	313,988	368,595	-
Benefit payments	(78,482)	-	-	-	(231,637)
Net change in total pension liability	$ 111,542	$ 320,242	$ 62,371	$ 492,906	$ (123,040)
Total pension liability, beginning	$ 1,337,683	$ 1,017,441	$ 955,070	$ 462,164	$ 585,204
Total pension liability, ending (a)	1,449,225	1,337,683	1,017,441	955,070	462,164
FIDUCIARY NET POSITION					
Employer contributions	$ 143,000	$ 120,419	$ 188,030	$ 257,245	$ 119,526
Investment income net of investment expenses	21,020	16,919	12,857	9,629	2,940
Benefit payments	(78,482)	-	-	-	(231,637)
Administrative expenses	-	-	-	-	-
Net change in plan fiduciary net position	$ 85,538	$ 137,338	$ 200,887	$ 266,874	$ (109,171)
Fiduciary net position, beginning	$ 951,913	$ 814,575	$ 613,688	$ 346,814	$ 455,985
Fiduciary net position, ending (b)	1,037,451	951,913	814,575	613,688	346,814
Net pension liability, ending (a) - (b)	411,774	385,770	202,866	341,382	115,350
Fiduciary net position as a % of total pension liability	71.59%	71.16%	80.06%	64.26%	75.04%
Covered payroll	$ 537,984	$ 544,150	$ 404,799	$ 407,340	$ 355,160
Net pension liability as a % of covered payroll	76.54%	70.89%	50.12%	83.81%	32.48%

This schedule is intended to present 10 years of information. Subsequent years will be added as the information becomes available.

MAGNA WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION (Continued)
Years ended December 31, 2009 through 2018

STATEMENT OF REQUIRED EMPLOYER CONTRIBUTION - 10 YEARS

Year	Actuarial determined contribution	Contributions in relation to Actuarial determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of Covered-employee payroll
2018	$ 110,308	$ 143,000	$ (32,692)	$ 537,984	26.58%
2017	130,018	120,419	9,599	544,150	22.13%
2016	92,570	188,030	(95,460)	404,799	46.45%
2015	101,980	257,245	(155,265)	407,340	63.15%
2014	79,336	119,526	(40,190)	355,160	33.65%
2013	87,908	91,092	(3,184)	368,051	24.75%
2012	93,980	18,778	75,202	354,104	5.30%
2011	93,980	91,092	2,888	353,342	25.78%
2010	92,814	115,793	(22,979)	455,185	25.44%
2009	66,274	91,092	(24,818)	232,081	39.25%

Note 1 - Valuation Date

The valuation date is January 1, 2018. This is the date as of which the actuarial valuation was performed. The Measurement Date is December 31, 2018. This is the date as of which the net pension liability is determined. The Reporting Date is December 31, 2018. This is the employer's fiscal year ending date.

Note 2 - Methods and Assumptions used to determine contribution rates

Actuarial cost method	Entry Age Normal
Asset valuation method	Current Asset Values
Discount rate	5.00%
Expected long-term rate of return on plan assets	5.00%
Projected salary increases incorporated into the calculation	0
Projection inflation rate increases	0
Projected rate of post-retirement benefit cost increases	0
Mortality table	1994 GAM Blended

OTHER SUPPLEMENTAL INFORMATION

MAGNA WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended December 31, 2018

Operating Revenues:	
Charges for services:	
Water sales - culinary	$ 3,878,771
Water sales - secondary	299,450
Sewer service charges	3,344,500
Connection fees and other income	497,550
Total Operating Revenues	8,020,271
Operating Expenses:	
Salaries and benefits:	
Salaries and wages - plant	1,037,324
Salaries and wages - office	698,246
Trustees' salaries	15,000
Payroll taxes and fringe benefits	1,306,734
Total salaries and benfits	3,057,304
Contractual services:	
Legal	112,186
Lobbyist fees	-
Accounting	12,500
Engineering	288,333
Data processing services	40,168
Janitorial	6,700
Lab and testing	83,795
Payroll	7,789
Total contractual services	551,471
Materials and supplies:	
Repairs, maintenance, and supplies	867,035
Office supplies and postage	84,557
Water purchased	313,818
Total materials and supplies	1,265,410
Utilities:	
Electricity and fuel for water production and sewer processing	613,429
Office and general, electricity and fuel	6,967
Telephone and paging	63,112
Total materials and supplies	683,508
Depreciation and amortization	3,094,816

MAGNA WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (Continued)
For The Year Ended December 31, 2018

Lease expense	15,970
Other operating expenses:	
Transportation	83,689
Bad debts	16,982
Insurance	125,942
Training	25,672
Miscellaneous	368,197
Total other operating expenses	620,482
Operating Income (Loss)	(1,268,690)
Nonoperating Revenues (Expenses):	
Property tax revenue	3,270,568
Non-resident fee in lieu of property tax	53,707
Impact fees	440,450
Gain (loss) on sale of assets	321,092
Other non-operating income	213,301
Interest income	664,251
Interest expense	(650,099)
Debt issuance costs	-
Total Nonoperating Expenses	4,313,270
Income Before Capital Contributions	3,044,580
Capital Contributions	453,401
Change In Net Position	$ 3,497,981

MAGNA WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – COMPARED TO BUDGET
For The Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Operating Revenues:				
Water sales	$ 3,860,000	$ 3,860,000	$ 4,178,221	$ 318,221
Sewer service charges	3,125,000	3,342,206	3,344,500	2,294
Connection fees and other income	387,900	387,900	497,550	109,650
Total Operating Revenues	7,372,900	7,590,106	8,020,271	430,165
Operating Expenses:				
Salaries and benefits	2,986,000	2,986,000	3,057,304	(71,304)
Contractual services	411,300	411,300	551,471	(140,171)
Materials and supplies	1,625,300	1,625,300	1,265,410	359,890
Utilities	769,400	769,400	683,508	85,892
Depreciation and amortization	3,440,000	3,440,000	3,094,816	345,184
Lease expense	27,000	27,000	15,970	11,030
Other operating expenses	567,300	567,300	620,482	(53,182)
Total Operating Expenses	9,826,300	9,826,300	9,288,961	537,339
Operating Income (Loss)	(2,453,400)	(2,236,194)	(1,268,690)	(107,174)
Nonoperating Revenues:				
Property tax revenue	2,938,546	2,641,267	3,270,568	629,301
Non-resident fee in lieu of property tax	60,000	60,000	53,707	(6,293)
Impact fees	430,000	470,037	440,450	(29,587)
Gain (loss) on sale of assets	8,500	8,500	321,092	312,592
Other non-operating income	180,000	180,000	213,301	33,301
Intergovernmental revenue	-	-	-	-
Interest income	180,000	180,000	664,251	484,251
Total Nonoperating Revenues	3,797,046	3,539,804	4,963,369	1,423,565
Nonoperating Expenses:				
Interest expense	708,039	708,039	650,099	57,940
Debt issuance costs	-	-	-	-
Total Nonoperating Expenses	708,039	708,039	650,099	57,940
Income Before Capital Contributions	635,607	595,571	3,044,580	1,258,451
Capital Contributions	480,000	520,037	453,401	(66,636)
Change In Net Position	$ 1,115,607	$ 1,115,608	$ 3,497,981	$ 1,191,815

MAGNA WATER DISTRICT

SUPPLEMENTAL REPORTS

DECEMBER 31, 2018

MAGNA WATER DISTRICT
SUPPLEMENTAL REPORTS
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For The Fiscal Year Ended December 31, 2018

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

Board of Trustees
Magna Water District
Magna, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the governmental activities and each major fund of Magna Water District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 30, 2019.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Magna Water District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Magna Water District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
July 30, 2019

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

Board of Trustees
Magna Water District
Magna, Utah

Report on Compliance with General State Compliance Requirements

We have audited Magna Water District's (the District) compliance with the following applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2018.

State compliance requirements were tested for the year ended December 31, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Open and Public Meetings Act
- Public Treasurer's Bond
- Special and Local Service District Board Members

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 state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements

In our opinion, Magna Water District complied, in all material respects, with the compliance requirements referred to above for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed no instance of noncompliance, which is 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the State Compliance Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
July 30, 2019

MAGNA WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

A. FINDINGS - FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS

NONE NOTED

B. FINDINGS – STATE COMPLIANCE AUDIT GUIDE

NONE NOTED