

MAGNA WATER DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2020

**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, 2020, 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, 2020, and the respective change 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 certain disclosures relating to pensions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit 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 June 23, 2021 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 the effectiveness of the District's 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

June 23, 2021

MAGNA WATER DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

The Management Team of Magna Water District offers 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, 2020.

Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$80,659,471 (net position). Of this amount, \$23,209,878 (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 \$9,154,679. This increase is reflective of the District's decrease in total liabilities of \$2,294,618 and increased capital assets. The capital assets which were upgraded, added, or replaced was the Wastewater Treatment Plant Upgrade, which updated and changed the biological aeration processes in order for the wastewater treatment plant to meet new nutrient standards. New development coming into the District and installing new service lines for water and sewer in which are contributed to the District when the development has been accepted. The District also constructed a new Zone 2 secondary water reservoir which increased pressure in Zone 2 and services additional growth in that area. The capital assets increased by \$4 million, or 5% from 2019, totaling approximately \$81.4 million.

The District's operating revenue increased by \$1,689,926 a 21% increase. This increase is attributable to growth in the District. Magna Water did NOT have a rate increase at the beginning of 2020, so the increase of operating revenues is due to new growth and additional usage of culinary and secondary water. Additional connections to our sewer distribution system have increased also. The District is experiencing a high volume of growth each year.

Part of the increase in the net position is due from the non-operating revenue, which totals approximately \$9 million in 2020, an increase of 60% from 2019. The non-operating revenue consists of property tax collections for debt service and operation and maintenance revenue. It also includes connection and impact fees the District charges to new development. The operating expenses increased by 17% from 2019. The District puts a lot of effort in proactive maintenance measures to help keep expenses lower, rather than creating expenses due to a reactive measure which is generally more costly. The District's Management and Staff are very mindful of maintaining costs and makes every effort to control costs.

The District's total long-term debt decreased by \$518,320 during the current fiscal year, as represented in Note 4 to the financial statements. The decrease is primarily a result of the District making their annual payments for outstanding GO bonds, revenue bonds, loans, and notes. The District had an actuarial performed on the OPEB and Pension benefits in 2020, resulting in an increase in the total liability recognized of \$1,277,253. This is an increase in the liability by approximately 74%.

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 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, some revenues and expenses reported in this statement, may result in cash flows in future fiscal periods (e.g., uncollected taxes earned and not received and unused sick leave for employees).

**MAGNA WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

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 \$80,659,471 at the close of the most recent fiscal year.

By far the largest portion of the District's net position (65%) 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.

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------------|----------------------|
| Current and other assets | \$ 35,728,541 | \$ 33,869,559 |
| Capital assets | <u>81,473,931</u> | <u>77,442,684</u> |
| Total Assets | <u>117,202,472</u> | <u>111,312,243</u> |
| Deferred outflow of resources | <u>1,367,251</u> | <u>527,890</u> |
| Long-term liabilities outstanding | 35,709,971 | 36,228,291 |
| Other liabilities | <u>2,191,842</u> | <u>3,968,140</u> |
| Total Liabilities | <u>37,901,813</u> | <u>40,196,431</u> |
| Deferred inflow of resources | <u>8,439</u> | <u>138,910</u> |
| Net investment in capital assets | 52,321,571 | 51,255,702 |
| Restricted | 5,128,022 | 4,994,716 |
| Unrestricted | <u>23,209,878</u> | <u>15,254,374</u> |
| Total Net Position | <u>\$ 80,659,471</u> | <u>\$ 71,504,792</u> |

The restricted portion of the District's net position of \$5,128,022 represents resources that are subject to external restrictions on how they may be used, such as bonding requirements, Impact Fee regulations, and property tax levy regulations. There is an unrestricted fund balance amount of \$23,209,878.

There was an increase of \$133,306 in restricted net position reported by the District. This resulted primarily from collecting additional impact fees that can only be used for capital improvements outlined in the District's Impact Fee Facilities Plan.

**MAGNA WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

The District's net position increased by \$9,154,679 during the current fiscal year, as the District's operating and nonoperating revenues exceeded all 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.

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------------|
| Operating revenues | \$ 9,870,282 | \$ 8,180,356 |
| Non-operating revenues | <u>9,003,099</u> | <u>5,632,893</u> |
| Total Revenues | <u>18,873,381</u> | <u>13,813,249</u> |
| Depreciation and amortization expense | 3,796,790 | 3,133,595 |
| Other operating expenses | 7,961,786 | 6,808,535 |
| Non-operating expenses | <u>829,174</u> | <u>848,242</u> |
| Total Expenses | <u>12,587,750</u> | <u>10,790,372</u> |
| Income before capital contributions | 6,285,631 | 3,022,877 |
| Capital contributions | <u>2,869,048</u> | <u>219,906</u> |
| Change in Net Position | 9,154,679 | 3,242,783 |
| Total Net Position, Beginning of Year | <u>71,504,792</u> | <u>68,262,009</u> |
| Total Net Position, End of Year | <u>\$ 80,659,471</u> | <u>\$ 71,504,792</u> |

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 87% of the District's revenues before capital contributions.

Total revenues increased by approximately 37% from the prior year, total expenses also increased by approximately 17%, leading to an increase in income before capital contributions of \$6,285,631. The capital contributions increased 1,205% from 2019 due to a significant increase of new development accepted and closed out. The District is experiencing tremendous growth and recognizes new developments when the projects are complete and out of warranty periods. Although 2020 appears to be recognizing substantial contributions, the developments could have been in process for years before the contribution is recognized.

The increase in total revenues is primarily due to additional growth in the District and higher utilization of the culinary, secondary water and the sewer collections & treatment systems. The increase in expenses is primarily due to the increase in the operational repairs and maintenance expenses, including labor, professional consulting, contractual services, chemicals, power, and administrative services. Management of the District is focused on a proactive repair and replacement program versus a reactive program and continues to develop maintenance and replacement projects in order to keep the system in good working condition. The maintenance and replacement projects include replacement of valves, meters, and water and sewer pipelines on a timely basis and not on a "when it breaks" approach. Although every year we do have situations where breaks happen, the District evaluates and prioritizes distribution line replacements. Usually, this type of program will save the District money in further years down the road. An increase in depreciation, and various other miscellaneous operational expenses also contributed to the increase in expenses.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets as of December 31, 2020, amounts to \$81,473,931 (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 5%.

**MAGNA WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Land | \$ 3,489,942 | \$ 2,741,244 |
| Buildings and improvements | 4,046,861 | 4,046,861 |
| Water system | 62,257,262 | 53,835,509 |
| Secondary system | 10,285,959 | 7,633,038 |
| Sewer treatment plant | 37,330,607 | 24,789,825 |
| Sewage collection lines | 13,754,218 | 9,627,884 |
| Machinery and equipment | 3,142,998 | 2,939,566 |
| Water rights and easements | 885,579 | 678,592 |
| Construction in progress | <u>834,466</u> | <u>22,054,489</u> |
| Total Capital Assets | 136,027,892 | 128,347,008 |
| Less accumulated depreciation | <u>(54,553,961)</u> | <u>(50,904,324)</u> |
| Total Capital Assets, net of depreciation | <u>\$ 81,473,931</u> | <u>\$ 77,442,684</u> |

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 \$35,709,971. Of this amount, \$4,856,000 is outstanding as revenue bond debt, \$1,153,464 relates to amounts outstanding on a water resource loan and a note payable to a developer, \$26,404,348 is outstanding as general obligation bond debt, and \$288,900 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 \$2,519,383, and a debt for pension liability in the amount of \$487,876.

| | <u>2020</u> | <u>2019</u> |
|--------------------------|----------------------|----------------------|
| General obligation bonds | \$ 26,404,348 | \$ 27,849,950 |
| Revenue bonds | 4,856,000 | 5,075,000 |
| Water resource loan | 1,153,464 | 1,357,905 |
| Capital lease | 288,900 | 215,430 |
| Net OPEB obligations | 2,519,383 | 1,481,090 |
| Net Pension Liability | <u>487,876</u> | <u>248,916</u> |
| Total | <u>\$ 35,709,971</u> | <u>\$ 36,228,291</u> |

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

Reserve Funds

The District held \$591,945 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 2013 the District adopted an Impact Fee Facilities Plan (the Plan) to evaluate the capital facility and revenue needs of the water, sewer, and secondary systems 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 District adopted a small annual increase in rates that began January 1, 2014 and went through 2019. Since that time, the District has not increased rates to its users. Currently the District is updating its Master Plan and will be updating its Impact Fee Facilities Plan, and user rates. The District's rates, and impact fees charged will be evaluated based on the new Master Plan. The new Master Plan and Impact Fee Facilities Plan are anticipated to be adopted first part of 2021.

MAGNA WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Planned Future Capital Improvements

The District has just completed installation of a new aeration treatment technology project at the District's wastewater treatment facility to assist in complying with new federal mandates on certain contaminants in the effluent water, along with a new chemical building and a laboratory. The upgrade also added capacity to the Wastewater Treatment Facility. At the end of 2020, the District was still in the process of planning and constructing a water reuse mainline to utilize its effluent water from the wastewater treatment facility to use as a source to its secondary water distribution system. The District is extremely excited to begin this project, it has been strategically thought out and planned for several years. The District has been awarded a federal grant in the amount of approximately \$5,000,000 from Title XVI of the Bureau of Reclamation which will help in this water reuse project. The District has also completed a brine line and brine pump station and maintenance facility that pipes brine wastewater from the water treatment plant directly to the wastewater treatment plant effluent area. A pipeline from the Wastewater Treatment Plant has been installed to carry the wastewater that has to be discharged, from the plant to a local small ditch, enhancing the water in that ditch, but also allows the District to save costs on complying with expensive mandates, if the water were being discharged in a different location. In the upcoming year the District has many construction plans for their facilities. Those construction plans include installation of a new sewer collection pipeline to increase the capacity to collect additional sewer along the west side of the District, expansion to their meter replacement project, culinary and secondary water line and sewer collection line repair and replacement schedule, Zone 3 booster pump station and a Zone 3 secondary water reservoir, and to address the ever increasingly threat of cyber-attacks, evaluation and implementing of cyber security.

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.

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, 2020**

Assets

Current Assets:

| | |
|-----------------------------------|-------------------|
| Cash and cash equivalents | \$ 25,371,848 |
| Receivables: | |
| Property tax | 136,614 |
| Customers, net | 819,711 |
| Other | 265,945 |
| Due from other governmental units | - |
| Prepaid expenses | 34,996 |
| Inventories | 383,258 |
| | <u>27,012,372</u> |
| Total Current Assets | 27,012,372 |

Noncurrent Assets:

| | |
|---|--------------------|
| Restricted cash and cash equivalents | 8,698,593 |
| Capital Assets: | |
| Capital assets not being depreciated | 5,209,988 |
| Capital assets being depreciated, net of accumulated depreciation | 76,263,943 |
| | <u>81,473,931</u> |
| Total Capital Assets, net of accumulated depreciation | 81,473,931 |
| Water rights and shares held for sale | 17,576 |
| | <u>90,190,100</u> |
| Total Noncurrent Assets | 90,190,100 |
| Total Assets | 117,202,472 |

Deferred Outflow of Resources

| | |
|--|---------------------|
| Assumption changes related to Pensions | 1,367,251 |
| | <u>1,367,251</u> |
| Total Deferred Outflow of Resources | \$ 1,367,251 |

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

MAGNA WATER DISTRICT
STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2020

Liabilities

Current Liabilities:

| | |
|--|------------------|
| Accounts payable | \$ 960,955 |
| Accrued liabilities | 695,437 |
| Compensated absences | 87,887 |
| Retainage payable | 20,219 |
| Deferred revenue | 286,810 |
| Accrued Interest payable | 140,534 |
| Capital lease obligations - current | 288,900 |
| General obligation bonds payable - current | 1,395,000 |
| Revenue bonds payable - current | 223,000 |
| Notes payable - current | 803,526 |
| | <hr/> |
| Total Current Liabilities | 4,902,268 |

Noncurrent Liabilities:

| | |
|--|-------------------|
| Net other postemployment benefits obligation | 2,519,383 |
| Capital lease obligations | - |
| General obligation bonds payable | 25,009,348 |
| Revenue bonds payable | 4,633,000 |
| Notes payable | 349,938 |
| Net Pension Liability | 487,876 |
| | <hr/> |
| Total Noncurrent Liabilities | 32,999,545 |

Total Liabilities

37,901,813

Deferred Inflow of Resources

| | |
|---|--------------|
| Changes to earnings on pension plan investments | 8,439 |
| | <hr/> |
| Total Deferred Inflow of Resources | 8,439 |

Net Position

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 52,321,571 |
| Restricted: | |
| Debt service | 960,620 |
| Capital projects | 4,167,402 |
| Unrestricted | 23,209,878 |
| | <hr/> |
| Total Net Position | \$ 80,659,471 |

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, 2020

| | |
|--|----------------------|
| Operating Revenues: | |
| Water sales | \$ 4,679,511 |
| Sewer service charges | 3,732,973 |
| Connection fees and other income | <u>1,457,798</u> |
| Total Operating Revenues | <u>9,870,282</u> |
| Operating Expenses: | |
| Salaries and benefits | 3,413,542 |
| Contractual services | 821,182 |
| Materials and supplies | 1,695,277 |
| Utilities | 863,449 |
| Depreciation and amortization | 3,796,790 |
| Lease expense | 12,488 |
| Other operating expenses | <u>1,155,848</u> |
| Total Operating Expenses | <u>11,758,576</u> |
| Operating Income (Loss) | <u>(1,888,294)</u> |
| Nonoperating Revenues (Expenses): | |
| Property tax revenue | 4,582,825 |
| Non-resident fee in lieu of property tax | 53,707 |
| Impact fees | 3,784,171 |
| Gain (loss) on sale of assets | (6,836) |
| Other non-operating income | 286,211 |
| Interest income | 303,021 |
| Interest expense | (827,174) |
| Debt issuance costs | <u>(2,000)</u> |
| Total Nonoperating Revenues (Expenses) | <u>8,173,925</u> |
| Income Before Capital Contributions | <u>6,285,631</u> |
| Capital Contributions | <u>2,869,048</u> |
| Change In Net Position | 9,154,679 |
| Total Net Position, Beginning of Year as restated | <u>71,504,792</u> |
| Total Net Position, End of Year | <u>\$ 80,659,471</u> |

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

**MAGNA WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | |
|---|-----------------------------|
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 9,819,813 |
| Payments to suppliers | (6,751,771) |
| Payments to employees | <u>(2,453,162)</u> |
| Net Cash From Operating Activities | <u>614,880</u> |
| Cash Flows From Noncapital Financing Activities | |
| Payments to the Nonunion pension | |
| Property tax collected for maintenance and operations | <u>2,065,292</u> |
| Net Cash From Noncapital Financing Activities | <u>2,065,292</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Receipts from impact fees | 3,784,171 |
| Property tax collected for debt service | 1,708,191 |
| Fee in lieu of property tax | 53,707 |
| Receipts of non-operating revenues | 286,211 |
| Principal paid on capital debt | (1,617,917) |
| Interest paid on capital debt | (906,691) |
| Payment of debt issuance costs | (2,000) |
| Purchases and construction of capital assets | <u>(4,671,497)</u> |
| Net Cash From Capital and Related Financing Activities | <u>(1,365,825)</u> |
| Cash Flows From Investing Activities | |
| Interest income | 303,021 |
| Purchase of water rights and shares | (18,929) |
| Proceeds from sale of water rights and shares | <u>18,929</u> |
| Net Cash From Investing Activities | <u>303,021</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,617,368 |
| Cash and Cash Equivalents, Beginning of Year | <u>32,453,073</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 34,070,441</u></u> |

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, 2020**

Reconciliation of Operating Income to Net Cash From Operating Activities:

| | |
|---|--------------------------|
| Operating Income (Loss) | \$ (1,888,294) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation and amortization | 3,796,790 |
| Non cash expenses related to OPEB | 356,534 |
| Non cash expenses related to pension costs | |
| Changes in operating assets and liabilities: | |
| (Increase) Decrease in Current Assets : | |
| Receivables | (141,826) |
| Prepaid expenses | 20,723 |
| Inventories | (57,932) |
| Prepaid pension costs | - |
| Increase (Decrease) in Current Liabilities and Other Operating effects: | |
| Accounts payable | (1,356,416) |
| Accrued liabilities | 279,096 |
| Compensated absences | 17,329 |
| Retainage payable | (809,902) |
| Deferred revenue | 91,357 |
| Deferred outflows | (839,361) |
| Deferred inflows | (130,471) |
| Net pension liability | 238,960 |
| Net other postemployment benefits obligation | 1,038,293 |
| Net Cash From Operating Activities | <u>\$ 614,880</u> |
| Noncash Investing, Capital, and Financing Activities | <u>\$ -</u> |

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, 2020.

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 \$8,311. 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 are 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 80 hours can be cashed out at the end of each year. Sick leave accumulates at a rate of two hours per pay period, 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 2020 was 0.002416 which is comprised of 0.000793 for operations and maintenance, and 0.001623 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, 2020:

| | | |
|--------------------------------------|----|------------|
| Cash and cash equivalents | \$ | 25,371,848 |
| Restricted cash and cash equivalents | | 8,698,593 |
| | \$ | 34,070,441 |

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, 2020, the carrying amount of the District’s deposits was \$4,199,326, and the bank balance was \$4,702,258. 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, 2020, \$4,452,258 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

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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.

| | <u>Carrying Amounts</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Credit Rating (1)</u> |
|---|-----------------------------|-----------------------------|--|------------------------------|
| Cash on hand and on deposit: | | | | |
| Cash on hand | \$ 1,300 | \$ 1,300 | N/A | N/A |
| Cash on deposit | <u>4,259,813</u> | <u>4,259,813</u> | N/A | N/A |
| Total cash on hand and deposit | <u>\$ 4,261,113</u> | <u>\$ 4,261,113</u> | | |
| Investments | | | | |
| State of Utah Public Treasurer's Investment Fund | \$ 29,376,258 | \$ 29,488,944 | N/A | N/A |
| Money Market Funds | <u>433,070</u> | <u>433,070</u> | | |
| Total investments | <u>\$ 29,809,328</u> | <u>\$ 29,922,014</u> | | |

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, 2020 is as follows:

| | Balance 12/31/2019 | Additions | Deletions | Balance 12/31/2020 |
|--|-------------------------------------|----------------------|------------------------|-------------------------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 2,741,244 | \$ 748,698 | \$ - | \$ 3,489,942 |
| Water rights, water shares, and easements | 678,592 | 206,987 | - | 885,579 |
| Construction in progress | 22,054,489 | 3,796,903 | (25,016,926) | 834,466 |
| Total Capital Assets, not being depreciated | 25,474,325 | 4,752,588 | (25,016,926) | 5,209,987 |
| Capital Assets, being depreciated: | | | | |
| Buildings and improvements | 4,046,861 | - | - | 4,046,861 |
| Water system | 53,835,509 | 8,469,203 | (47,450) | 62,257,262 |
| Secondary water system | 7,633,038 | 2,662,149 | (9,228) | 10,285,959 |
| Sewer treatment plant | 24,789,825 | 12,540,782 | - | 37,330,607 |
| Sewage collection lines | 9,627,884 | 4,126,334 | - | 13,754,218 |
| Machinery and equipment | 2,939,566 | 537,737 | (334,305) | 3,142,998 |
| Total Capital Assets, being depreciated | 102,872,683 | 28,336,205 | (390,983) | 130,817,905 |
| Total Capital Assets | 128,347,008 | 33,088,793 | (25,407,909) | 136,027,892 |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (346,390) | (134,895) | - | (481,285) |
| Water system | (25,866,784) | (1,933,062) | 47,451 | (27,752,395) |
| Secondary water system | (2,029,332) | (263,281) | 9,227 | (2,283,386) |
| Sewer treatment plant | (14,437,903) | (843,917) | | (15,281,820) |
| Sewage collection lines | (6,645,444) | (374,519) | | (7,019,963) |
| Machinery and equipment | (1,578,471) | (247,116) | 90,475 | (1,735,112) |
| Total Accumulated Depreciation | (50,904,324) | (3,796,790) | 147,153 | (54,553,961) |
| Capital Assets, net | \$ 77,442,684 | \$ 29,292,003 | \$ (25,260,756) | \$ 81,473,931 |

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 LONG TERM OBLIGATIONS

The following is a summary of long-term debt obligations of the District for the year ended December 31, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|-----------------------|----------------------|------------------------|
| Bonds payable | | | | | |
| General obligation bonds - Direct Placements | \$ 12,995,000 | \$ - | \$ (520,000) | \$ 12,475,000 | \$ 540,000 |
| General obligation bonds - Other | 13,225,000 | | (830,000) | 12,395,000 | 855,000 |
| Premiums | 1,629,950 | | (95,602) | 1,534,348 | - |
| Revenue bonds - Direct Placements | 5,075,000 | - | (219,000) | 4,856,000 | 223,000 |
| Total bonds payable | 32,924,950 | - | (1,664,602) | 31,260,348 | 1,618,000 |
| Notes Payable - Direct Placements | 1,357,905 | - | (204,441) | 1,153,464 | 803,526 |
| Capital leases | 215,430 | 322,569 | (249,099) | 288,900 | 288,900 |
| Total Long-Term Liabilities | \$ 34,498,285 | \$ 322,569 | \$ (2,118,142) | \$ 32,702,712 | \$ 2,710,426 |

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, 2020 was \$30,245,000.

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 | \$ 4,630,000 |
| Water treatment facilities | 2017 | 13,975,000 | 2.00 - 3.00% | 2037 | 12,475,000 |
| Various capital projects | 2019 | 8,025,000 | 2.00 - 5.00% | 2039 | 7,765,000 |
| | | | | | \$ 24,870,000 |

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

| Year Ending December 31, | GO Bonds - Direct Placement | | | GO Bonds - Other | | |
|-----------------------------|-----------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 540,000 | \$ 405,263 | \$ 945,263 | \$ 855,000 | \$ 371,463 | \$ 1,226,463 |
| 2022 | 565,000 | 383,163 | 948,163 | 880,000 | 343,872 | 1,223,872 |
| 2023 | 585,000 | 360,163 | 945,163 | 905,000 | 314,619 | 1,219,619 |
| 2024 | 610,000 | 336,263 | 946,263 | 945,000 | 283,353 | 1,228,353 |
| 2025 | 635,000 | 311,363 | 946,363 | 975,000 | 249,175 | 1,224,175 |
| 2026-2030 | 3,555,000 | 1,179,888 | 4,734,888 | 3,530,000 | 768,600 | 4,298,600 |
| 2031-2035 | 4,145,000 | 591,631 | 4,736,631 | 2,290,000 | 341,603 | 2,631,603 |
| 2036-2040 | 1,840,000 | 55,650 | 1,895,650 | 2,015,000 | 90,728 | 2,105,728 |
| Total | \$ 12,475,000 | \$ 3,623,384 | \$ 16,098,384 | \$ 12,395,000 | \$ 2,763,413 | \$ 15,158,413 |

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG TERM OBLIGATIONS (Continued)

Covenant Requirements

Both the 2013, 2017 and the 2019 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, 2020 was \$7,100,000. Revenue bonds outstanding at year end are as follows:

| Purpose | Issue Date | Borrowing | Rates | Maturity | Amount |
|-----------------------|------------|-----------|-------|----------|---------------------|
| Water treatment plant | 2007 | 7,100,000 | 1.50% | 2039 | 4,856,000 |
| | | | | | <u>\$ 4,856,000</u> |

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

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 223,000 | \$ 76,125 | \$ 299,125 |
| 2022 | 226,000 | 72,840 | 298,840 |
| 2023 | 230,000 | 69,495 | 299,495 |
| 2024 | 233,000 | 66,105 | 299,105 |
| 2025 | 236,000 | 62,655 | 298,655 |
| 2026-2030 | 1,237,000 | 259,815 | 1,496,815 |
| 2031-2035 | 1,331,000 | 165,645 | 1,496,645 |
| 2036-2040 | 1,140,000 | 64,260 | 1,204,260 |
| Total | <u>\$ 4,856,000</u> | <u>\$ 836,940</u> | <u>\$ 5,692,940</u> |

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, 2020, 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, 2020, required reserve fund balances were fully funded.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG TERM OBLIGATIONS (Continued)

Required reserve fund balances as of December 31, 2020 are as follows:

| | 2007 Series | |
|----------------------------|--------------------|----------------------|
| | Amount Required | Amount on Deposit |
| Reserve accounts | \$ 296,105 | \$ 296,362 |
| Debt service accounts | 295,840 | 313,745 |
| Total reserve requirements | \$ 591,945 | \$ 610,107 |

Notes Payable

The District 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.

The District entered into an agreement to provide water rights to Kennecott. The District provided a note to Kennecott representing these water rights in exchange for Land. This note decreases as Kennecott exercises these rights. The amount due on the note as of December 31, 2020 is \$754,119.

Annual debt service requirements to maturity for Notes Payable are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|-----------------------------|------------|----------|--------------|
| 2021 | \$ 803,526 | \$ 3,993 | \$ 807,519 |
| 2022 | 49,901 | 3,499 | 53,400 |
| 2023 | 50,400 | 3,000 | 53,400 |
| 2024 | 50,904 | 2,496 | 53,400 |
| 2025 | 51,413 | 1,987 | 53,400 |
| 2026-2030 | 147,320 | 2,587 | 149,907 |
| Total | 1,153,464 | 17,562 | \$ 1,171,026 |

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various vehicles. The leases carry interest rate of 3.62% and maturity dates in 2021. During 2020, the District returned the vehicles from all previous capital leases and entered into a new capital lease agreements. This new lease agreement qualifies as a capital lease for accounting purposes and, therefore, has 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 \$59,050 for the year ended December 31, 2020 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 \$14,994 for the year ended December 31, 2020.

The assets acquired through capital leases are as follows:

| | |
|--------------------------------|------------|
| Asset: | |
| Machinery and equipment | \$ 322,569 |
| Less: Accumulated depreciation | (59,050) |
| Total | \$ 263,519 |

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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, 2020 were as follows:

| Year Ending December 31, | Payments |
|---|------------|
| 2021 | \$ 288,900 |
| 2022 | - |
| Total minimum capital lease payments | 288,900 |
| Less: amounts representing interest | - |
| Present value of net minimum capital lease payments | 288,900 |
| Less: current portion | (288,900) |
| Long-term capital lease obligations | \$ - |

NOTE 5 UNION EMPLOYEES PENSION PLAN

Most full-time District employees are members of the Western Conference Teamsters Pension Plan (the Plan, or WCTPP). 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, 2020 there were 24 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 \$4.90 \$5.05 and \$5.20 an hour for the years ended December 31, 2018, 2019 and 2020. The contribution rates of the district are determined pursuant to a collective-bargaining agreement, covering the period June 1, 2019 through May 31, 2023. The Plan has no minimum contribution requirements. If the District withdraws from 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.wctpension.org/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 \$229,185, \$204,482, and \$227,391, for 2020, 2019, and 2018, respectively. The District did have \$20,520 due the Plan as of December 31, 2020.

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.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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:

| <u>Years of service required</u> | <u>Age eligibility for benefit</u> | <u>Monthly Benefit amount per year</u> |
|--|--|---|
| 5 years | Must be age 55 or older | \$204.38 per year of credited service |

Participation. As of December 31, 2020, there were 4 active participants, -0- inactive participants and -0- retirees and beneficiaries.

Contributions. Through December 31, 2020, 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 \$143,000 for 2018, \$118,000 for 2019, \$100,408 for 2020, and \$110,259 for 2021 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 7 years. Post 2036 contributions are assumed equal to the \$110,259 from the 01/01/2021 plan funding valuation. The actual amount contributed by the employer during the 2020 fiscal year was \$100,408.

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
PO Box 303
Magna, UT 84044
By Email: leisle@magnawater.com
By Phone: 801-250-2118 ext. 107

Net Pension Liability: At December 31, 2020, the District reported a net pension liability of \$487,576. The net pension liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures.

Deferred outflows of resources and deferred inflows of resources: At December 31, 2020, the District reported deferred outflows of resources and deferred inflows related to pensions from the following sources:

| | <u>Deferred inflows of resources</u> | <u>Deferred outflows of resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ - | \$ 244,610 |
| Changes of assumptions | - | 222,166 |
| Net difference between projected and actual earnings | - | 18,140 |
| Contributions made subsequent to measurement date | - | 484,916 |
| Total | \$ - | \$ 969,832 |

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)

Average remaining service as of the beginning of the year is: 15.25.

| Year ended <u>December 31</u> | Deferred outflows <u>(inflows of resources)</u> |
|----------------------------------|--|
| 2020 | 65,999 |
| 2021 | 65,999 |
| 2022 | 65,999 |
| 2023 | 65,999 |
| Thereafter | 220,919 |

Actuarial assumptions. The total pension liability in the December 31, 2020, 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-retirement 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, 2020, is summarized in the table below:

| Asset Class | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Return |
|---------------------|----------------------------|------------------------------------|---------------------------------|
| Cash & Fixed Income | 96% | 2.88% | 2.76% |
| Mutual Funds | 4% | 6.00% | 0.24% |
| 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%.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 NON-UNION EMPLOYEES PENSION PLAN (Continued)

| | 1% Decrease <u>4%</u> | Discount Rate <u>5%</u> | 1% increase <u>6%</u> |
|-------------------------|-----------------------------|----------------------------|-----------------------------|
| Total pension liability | \$ 1,868,962 | \$ 1,552,470 | \$ 1,310,622 |
| Fiduciary net position | 1,064,594 | 1,064,594 | 1,064,594 |
| Net pension liability | 804,368 | 487,876 | 246,028 |

Schedule of funding progress. The following tables show the pension plan's funding progress as of December 31, 2020 and over the preceding 10 years.

| <u>Year ended</u> | <u>Actuarial determined contribution</u> | <u>Actual employer contribution</u> | <u>% of actual to actuarial contribution</u> | <u>Balance net pension obligation/ prepaid</u> |
|-------------------|--|---|--|--|
| 12/31/2020 | \$ 135,460 | \$ 100,408 | 74.12% | \$ (35,052) |
| 12/31/2019 | 108,487 | 118,000 | 108.77% | 9,513 |
| 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 |
| 12/31/2012 | 93,980 | 18,778 | 19.98% | (75,202) |
| 12/31/2011 | 93,980 | 91,092 | 96.93% | (2,888) |
| 12/31/2010 | 92,814 | 115,793 | 124.76% | 22,979 |

| <u>Actuarial valuation date</u> | <u>Actuarial value of assets</u> | <u>Actuarial accrued liability</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded ration</u> | <u>Approximate covered payroll</u> | <u>UAAL as a % of covered payroll</u> |
|---|--|--|--------------------------------|--------------------------|--|---|
| 12/31/2020 | \$ 1,064,594 | \$ 1,552,470 | \$ 487,876 | 68.57% | \$ 463,429 | 105.28% |
| 12/31/2019 | 1,178,101 | 1,427,016 | 248,915 | 82.56% | 591,171 | 42.11% |
| 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% |
| 12/31/2012 | 356,836 | 222,149 | (134,687) | 160.63% | 354,104 | -38.04% |
| 12/31/2011 | 309,296 | 222,149 | (87,147) | 139.23% | 353,342 | -24.66% |
| 12/31/2010 | 213,768 | 189,863 | (23,905) | 112.59% | 455,185 | -5.25% |

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 2020.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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.

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 2020, the District contributed \$49,114 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, 2020, the District had set aside \$1,445,258 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.

Schedule of Changes in Total OPEB Liability for the Year Ended December 31, 2020

The components of the Magna Water District’s Total OPEB Liability as of December 31, 2020 were as follows:

| | |
|--|------------------|
| Total OPEB Liability (TOL) | |
| Service cost | \$ 40,349 |
| Interest cost | 62,379 |
| Benefit payments | (49,114) |
| Increase (decrease) due to actual experience being greater than expected | 353,496 |
| Increase (decrease) due to changes in benefit terms | 230,089 |
| Increase (decrease) due to changes in assumptions | <u>401,094</u> |
| Net change in Total OPEB Liability | 1,038,293 |
| | |
| Total OPEB Liability - beginning | <u>1,481,090</u> |
| Total OPEB Liability - ending | \$ 2,519,383 |
| | |
| Annual covered employee payroll | \$ 525,806 |
| Total OPEB Liability as a percent of annual covered employee payroll | 479.15% |

Schedule of Collective Deferred Inflows and Deferred Outflows for the Year Ended December 31, 2020

The current balances of collective deferred outflows and deferred inflows of resources as of December 31, 2020 were as follows:

| | Deferred Outflows of resources | Deferred Outflows of resources |
|--|-----------------------------------|-----------------------------------|
| Balance as of 12-31-19 | \$ 259,182 | \$ 3,690 |
| Difference between expected and actual experience | 308,156 | \$ 4,749 |
| Changes in assumptions | 314,997 | - |
| Net difference between projected and actual earnings on OPEB plan investments | <u>-</u> | <u>-</u> |
| | \$ 882,335 | \$ 8,439 |

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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 |
|-------------------------|-----------------------------------|-----------------------------------|
| 2021 | \$ 137,456 | \$ 1,270 |
| 2022 | 137,456 | 1,270 |
| 2023 | 137,456 | 1,270 |
| 2024 | 137,456 | 1,270 |
| 2025 | 137,456 | 1,270 |
| 2026 | 137,456 | 1,270 |
| 2027 | 28,798 | 410 |
| 2028 | 28,798 | 410 |
| 2029+ | - | - |

The average of expected remaining service lives was 10.1079 as of December 31, 2020 the measurement date. This was rounded to 10.0 for purposes of determining annual expense and deferral amounts.

A detailed schedule of the components of the deferrals, including date of creation, initial balance, and outstanding balance for each base, is given below:

| Outflows / Inflows Base Type | Description | Base | | Amortization period (years) | Fiscal year end of last amortization amount | Annual amortization amounts | | | Balance amounts | |
|------------------------------------|-----------------------------------|---------|---------------------|-----------------------------------|--|-----------------------------|-----------|-----------------|---------------------|---------------------|
| | | Amount | Date established | | | Regular | Last year | Current year | As of 12/31/2019 | As of 12/31/2020 |
| Outflows | Change in assumptions | 287,980 | 12/31/2019 | 10 | 2028 | 28,798 | 28,798 | 28,798 | 259,182 | 230,384 |
| Outflows | Expected vs actual experience (2) | 359,515 | 1/1/2020 | 7 | 2026 | 51,359 | 51,359 | 51,359 | 0 | 308,156 |
| Outflows | Change in assumptions | 129,425 | 1/1/2020 | 7 | 2026 | 18,489 | 18,489 | 18,489 | 0 | 110,936 |
| Outflows | Change in assumptions | 271,669 | 12/31/2020 | 7 | 2026 | 38,810 | 38,809 | 38,810 | 0 | 232,859 |
| Totals for Outflows | | | | | | | | 137,456 | 259,182 | 882,335 |
| Inflows | Expected vs actual experience (1) | 4,100 | 12/31/2019 | 10 | 2028 | 410 | 410 | 410 | 3,690 | 3,280 |
| Inflows | Expected vs actual experience (1) | 6,019 | 12/31/2020 | 7 | 2026 | 860 | 859 | 860 | - | 5,159 |
| Totals for Inflows | | | | | | | | 1,270 | 3,690 | 8,439 |

Note 1 - This type of base results from actual benefits being from expected benefits.

Note 2 - This type of base results in the OPEB liability produced by the valuation as of the first day of the year being difference from the liability reported as of the end of the prior year.

Annual OPEB Expense For the Year Ended December 31, 2020

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.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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

The components of the annual OPEB Expense for the District as of December 31, 2020 were as follows:

| | |
|--|------------------|
| Total OPEB Liability os of December 31, 2019 | \$ 1,481,090 |
| Total OPEB Liability os of December 31, 2020 | <u>2,519,383</u> |
| Change in Total OPEB Liability [(b)-(a)] | \$ 1,038,293 |
| Change in Deferred Outflows | (623,153) |
| Change in Deferred Inflows | 4,749 |
| Employer Contributions* | <u>49,114</u> |
| OPEB Expense | \$ 469,003 |

*Actual pay-as-you-go.

| | |
|--|------------|
| Annual covered employee payroll | \$ 525,806 |
| Total OPEB expense as a percent of annual covered employee payroll | 89.20% |

Total OPEB Liability

The district's Total OPEB Liability of \$2,519,383 was based on the actuarial valuation as of January 1, 2020 and a measurement date of December 31, 2020 and a discount rate of 2.10%.

Actuarial Assumptions. The Total OPEB Liability was determine using an actuarial valuation as of December 31, 2020, using the following actuarial assumptions:

| | |
|-----------------------------|---|
| Inflation | .75% |
| Salary increases | 3.00%, average, including inflation |
| Discount rate | 2.10%, net of investment expense, including inflation |
| Healthcare cost trend rates | 8.00% for 2018, decreasing 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 2014 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 in the December 31, 2020 actuarial valuation performed by J. Richard Hogue, F.S.A. The assumptions were based on plan experience through December 31, 2020. The actuarial cost method used for measuring the Total OPEB Liability for purposes of GASB 75 was Entry Age, Level Percent of Pay.

**MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

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

Sensitivity of Total OPEB Liability to changes in the discount rate. The following presents the District's Total OPEB Liability as of December 31, 2020 calculated using the discount rate of 2.10%, 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 (1.10%) or 1 percentage point higher (3.10%) than the current rate:

| | 1% Decrease (1.10%) | Current Rate (2.10%) | 1% Increase (3.10%) |
|----------------------|---------------------|----------------------|---------------------|
| Total OPEB Liability | \$ 2,976,903 | \$ 2,519,383 | \$ 2,157,348 |

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, 2020, 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 | \$ 2,189,596 | \$ 2,519,383 | \$ 2,935,837 |

Other Required Information

Please see the December 31, 2020 actuarial report prepared by PCA, meant to be used as a companion document for these disclosures, for the following additional information:

- A) Detail of number of covered members, active and inactive. This data is given as of the valuation date and has not changed sufficiently to warrant a revision of the Total OPEB liability.
- B) Summary of plan provisions.
- C) Detail of actuarial assumptions, subject to the following changes:
 - a. Discount rate as of December 31, 2020 is 2.10%
- D) Actuarial Certification.

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 \$15,500, \$16,532, and \$15, 805 for the years ended December 31, 2020, 2019, and 2018, 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.

MAGNA WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2020 the District purchased 804.90 acre feet, at a cost of \$325,509.

As of December 31, 2020, the District had approximately \$359,578 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 receives funds from the private industrial firm for part of the maintenance costs of the facility each year, 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.

REQUIRED SUPPLEMENTAL INFORMATION

MAGNA WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
Years ended December 31, 2020 and five preceding years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 63,010 | \$ 40,551 | \$ 45,688 | \$ 47,685 | \$ 32,718 | \$ 34,243 |
| Interest on total pension liability | 74,501 | 74,489 | 69,169 | 53,257 | 49,389 | 24,820 |
| Effect on economic/demographic (gains) or losses | 13,110 | (370,833) | (179,274) | (62,648) | (333,724) | 65,248 |
| Effect of assumption changes and inputs | 222,166 | 233,585 | 254,441 | 281,948 | 313,988 | 368,595 |
| Benefit payments | (247,333) | - | (78,482) | - | - | - |
| Net change in total pension liability | <u>\$ 125,454</u> | <u>\$ (22,208)</u> | <u>\$ 111,542</u> | <u>\$ 320,242</u> | <u>\$ 62,371</u> | <u>\$ 492,906</u> |
| Total pension liability, beginning | \$ 1,427,017 | \$ 1,449,225 | \$ 1,337,683 | \$ 1,017,441 | \$ 955,070 | \$ 462,164 |
| Total pension liability, ending (a) | 1,552,471 | 1,427,017 | 1,449,225 | 1,337,683 | 1,017,441 | 955,070 |
| FIDUCIARY NET POSITION | | | | | | |
| Employer contributions | \$ 100,408 | \$ 118,000 | \$ 143,000 | \$ 120,419 | \$ 188,030 | \$ 257,245 |
| Investment income net of investment expenses | 33,419 | 22,650 | 21,020 | 16,919 | 12,857 | 9,629 |
| Benefit payments | (247,333) | - | (78,482) | - | - | - |
| Administrative expenses | - | - | - | - | - | - |
| Net change in plan fiduciary net position | <u>\$ (113,506)</u> | <u>\$ 140,650</u> | <u>\$ 85,538</u> | <u>\$ 137,338</u> | <u>\$ 200,887</u> | <u>\$ 266,874</u> |
| Fiduciary net position, beginning | \$ 1,178,101 | \$ 1,037,451 | \$ 951,913 | \$ 814,575 | \$ 613,688 | \$ 346,814 |
| Fiduciary net position, ending (b) | 1,064,595 | 1,178,101 | 1,037,451 | 951,913 | 814,575 | 613,688 |
| Net pension liability, ending (a) - (b) | 487,876 | 248,916 | 411,774 | 385,770 | 202,866 | 341,382 |
| Fiduciary net position as a % of total pension liability | 68.57% | 82.56% | 71.59% | 71.16% | 80.06% | 64.26% |
| Covered payroll | \$ 463,429 | \$ 591,171 | \$ 537,984 | \$ 544,150 | \$ 404,799 | \$ 407,340 |
| Net pension liability as a % of covered payroll | 105.28% | 42.11% | 76.54% | 70.89% | 50.12% | 83.81% |

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, 2010 through 2020**

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 |
|------|---|--|-------------------------------------|-----------------------------|--|
| 2020 | \$ 135,460 | \$ 100,408 | \$ 35,052 | \$ 463,429 | 21.67% |
| 2019 | 108,487 | 118,000 | (9,513) | 591,171 | 19.96% |
| 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% |

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Note 1 - Valuation Date

The valuation date is January 1, 2020. This is the date as of which the actuarial valuation was performed. The Measurement Date is December 31, 2020. This is the date as of which the net pension liability is determined. The Reporting Date is December 31, 2020. 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, 2020**

Operating Revenues:

| | |
|----------------------------------|------------------|
| Charges for services: | |
| Water sales - culinary | \$ 4,428,784 |
| Water sales - secondary | 250,727 |
| Sewer service charges | 3,732,973 |
| Connection fees and other income | <u>1,457,798</u> |
| Total Operating Revenues | <u>9,870,282</u> |

Operating Expenses:

| | |
|-----------------------------------|------------------|
| Salaries and benefits: | |
| Salaries and wages - plant | 1,225,645 |
| Salaries and wages - office | 758,022 |
| Trustees' salaries | 15,000 |
| Payroll taxes and fringe benefits | <u>1,414,875</u> |
| Total salaries and benefits | <u>3,413,542</u> |

Contractual services:

| | |
|----------------------------|----------------|
| Legal | 73,033 |
| Lobbyist fees | - |
| Accounting | 12,500 |
| Engineering | 591,523 |
| Data processing services | 40,925 |
| Janitorial | 6,202 |
| Lab and testing | 89,593 |
| Payroll | <u>7,406</u> |
| Total contractual services | <u>821,182</u> |

Materials and supplies:

| | |
|------------------------------------|------------------|
| Repairs, maintenance, and supplies | 1,283,746 |
| Office supplies and postage | 86,022 |
| Water purchased | <u>325,509</u> |
| Total materials and supplies | <u>1,695,277</u> |

Utilities:

| | |
|--|----------------|
| Electricity and fuel for water production and sewer processing | 800,123 |
| Office and general, electricity and fuel | 5,230 |
| Telephone and paging | <u>58,096</u> |
| Total materials and supplies | <u>863,449</u> |

| | |
|-------------------------------|------------------|
| Depreciation and amortization | <u>3,796,790</u> |
|-------------------------------|------------------|

**MAGNA WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (Continued)
For The Year Ended December 31, 2020**

| | |
|--|---------------------|
| Lease expense | 12,488 |
| Other operating expenses: | |
| Transportation | 73,785 |
| Bad debts | 26,935 |
| Insurance | 116,219 |
| Training | 19,630 |
| Miscellaneous | 919,279 |
| Total other operating expenses | 1,155,848 |
| Operating Income (Loss) | (1,888,294) |
| Nonoperating Revenues (Expenses): | |
| Property tax revenue | 4,582,825 |
| Non-resident fee in lieu of property tax | 53,707 |
| Impact fees | 3,784,171 |
| Gain (loss) on sale of assets | (6,836) |
| Other non-operating income | 286,211 |
| Interest income | 303,021 |
| Interest expense | (827,174) |
| Debt issuance costs | (2,000) |
| Total Nonoperating Expenses | 8,173,925 |
| Income Before Capital Contributions | 6,285,631 |
| Capital Contributions | 2,869,048 |
| Change In Net Position | \$ 9,154,679 |

MAGNA WATER DISTRICT
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION – COMPARED TO BUDGET
For The Year Ended December 31, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|-------------------------|--------------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Operating Revenues: | | | | |
| Water sales | \$ 4,180,000 | \$ 4,180,000 | \$ 4,679,511 | \$ 499,511 |
| Sewer service charges | 3,660,000 | 3,660,000 | 3,732,973 | 72,973 |
| Connection fees and other income | 374,700 | 374,700 | 1,457,798 | 1,083,098 |
| Total Operating Revenues | <u>8,214,700</u> | <u>8,214,700</u> | <u>9,870,282</u> | <u>1,655,582</u> |
| Operating Expenses: | | | | |
| Salaries and benefits | 3,858,000 | 3,858,000 | 3,377,966 | 480,034 |
| Contractual services | 1,018,700 | 1,018,700 | 856,758 | 161,942 |
| Materials and supplies | 2,486,300 | 2,486,300 | 1,695,277 | 791,023 |
| Utilities | 730,300 | 730,300 | 863,449 | (133,149) |
| Depreciation and amortization | 4,250,000 | 4,250,000 | 3,796,790 | 453,210 |
| Lease expense | 60,000 | 60,000 | 12,488 | 47,512 |
| Other operating expenses | 747,950 | 747,950 | 1,155,848 | (407,898) |
| Total Operating Expenses | <u>13,151,250</u> | <u>13,151,250</u> | <u>11,758,576</u> | <u>1,392,674</u> |
| Operating Income (Loss) | <u>(4,936,550)</u> | <u>(4,936,550)</u> | <u>(1,888,294)</u> | <u>262,908</u> |
| Nonoperating Revenues: | | | | |
| Property tax revenue | 3,350,000 | 3,377,249 | 4,582,825 | 1,205,576 |
| Non-resident fee in lieu of property tax | 50,000 | 50,000 | 53,707 | 3,707 |
| Impact fees | 1,450,000 | 1,450,000 | 3,784,171 | 2,334,171 |
| Gain (loss) on sale of assets | 8,000 | 8,000 | (6,836) | (14,836) |
| Other non-operating income | 251,100 | 251,100 | 286,211 | 35,111 |
| Intergovernmental revenue | - | - | - | - |
| Interest income | 500,000 | 500,000 | 303,021 | (196,979) |
| Total Nonoperating Revenues | <u>5,609,100</u> | <u>5,636,349</u> | <u>9,003,099</u> | <u>3,366,750</u> |
| Nonoperating Expenses: | | | | |
| Interest expense | 815,800 | 815,800 | 827,174 | (11,374) |
| Debt issuance costs | - | - | 2,000 | (2,000) |
| Total Nonoperating Expenses | <u>815,800</u> | <u>815,800</u> | <u>829,174</u> | <u>(13,374)</u> |
| Income Before Capital Contributions | <u>(143,250)</u> | <u>(116,001)</u> | <u>6,285,631</u> | <u>3,643,032</u> |
| Capital Contributions | <u>720,000</u> | <u>720,000</u> | <u>2,869,048</u> | <u>2,149,048</u> |
| Change In Net Position | <u>\$ 576,750</u> | <u>\$ 603,999</u> | <u>\$ 9,154,679</u> | <u>\$ 5,792,080</u> |

**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**

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 Magna Water District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated June 23, 2021.

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*.

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

June 23, 2021

**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

We have audited Magna Water District's (the District) compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2020.

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Fraud Risk Assessment
Cash Management
Tax Levy Revenue Recognition
Impact Fees

Management's Responsibility

Management is responsible for compliance with the 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 reported above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion the District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which are described in the accompanying *Schedule of Findings and Recommendations* as items 2020-001 and 2020-002 below. Our opinion on compliance is not modified with respect to these matters.

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

Report On Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the 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. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Recommendations* as item 2020-001 and 2020-002 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying *Schedule of Findings and Recommendations*. The Entity's response was not subject to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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.

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
June 23, 2021

**MAGNA WATER DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Fiscal Year Ended December 31, 2020**

2020-001: Open and Public Meetings Act – State Compliance (Significant Deficiency)

Finding:

Utah State Code 52-4-104 (1) states that: “The presiding officer of the public body shall ensure that the members of the public body are provided with annual training on the requirements of this chapter.” During our testing of State Compliance K&C observed training certificates and noted that only two out of the three Board Members had received their annual Open and Public Meetings Act training, as required by Utah State Code. As a result, the District did not follow Utah State Code.

Recommendation:

We recommend that the District establish policy that works to help ensure that all applicable personnel receive their required training in a timely manner.

District Response:

“In years past to complete the Board Member training, our Board Members have attended the UASD Conference held in November each year. Due to the COVID-19 pandemic, the Conference was not held as an in-person conference in 2020, which created a new path for the Board Members to obtain this training. The new path being the online training courses found on the Office of the State Auditor’s website. The Controller had a misconception of the material covered in the online course *Local District & Special Service District Board Member Training 2020*. Until the misconception was corrected, it was believed the *Open and Public Meetings Act Training* was included in the “once per term” (*Local District & Special Service District Board Member Training*) course. Unfortunately, that misconception was revealed too late, so the Board member did not have time to take the *Open and Public Meetings Act Training for 2020*. We also now understand that the “presiding officer of the public body” in this instance, is the Chairman of the Board who has not been aware that it was their responsibility to ensure that the Board has received the required annual training. In the future, along with Management’s support, they will be involved with the coordination of the training to ensure the annual required training is complete.

In the future the District proposes to schedule a “standing date” each year in October/November to meet with each Board Member separately to review their status of completing their required training. If the training has not been complete at that time, we will be ensuring the Board Member attends the UASD Annual Conference, if the Board Member cannot attend the conference, Management will schedule a follow-up date and time to have the Board Member take the training in the District Office.” It should also be noted that the training has been subsequently completed as of 6/13/2021 for the applicable Trustee.”

2020-002: Budgetary Compliance – State Compliance (Significant Deficiency)

Finding:

Utah State Code 17B-1-638 states that: “The district clerk or other delegated person shall prepare and present to the board of trustees detailed quarterly financial reports showing the financial position and operations of the district for that quarter and the year to date status.” During our testing of State Compliance K&C noted that the 3rd quarter financial report to the Board had not been included in any of the reviewed Board meeting minutes, and upon inquiry with the controller it was noted that the financial report had not been provided. As a result, the District did not follow Utah State Code.

Recommendation:

We recommend that the District establish policy that works to help ensure that all required financial reports to the Board are provided.

MAGNA WATER DISTRICT
SCHEDULE OF FINDING AND RECOMMENDATIONS (CONTINUED)
For The Fiscal Year Ended December 31, 2020

District Response:

“The District recognizes this noncompliance and has already addressed it by hiring an accountant to assist the Controller in her responsibilities and duties at the District. At the end of 2020 Management and the Board of Trustees recognized the need to hire an accountant because the Controller’s workload was overbearing for one individual. In 2021, the Controller has created financial reports that are currently being presented to the Board Members in every monthly Board Meeting. The reports show the month’s overall income or loss for the month being presented and an overall YTD income or loss. It also shows YTD actual revenues and expenditures versus YTD budgeted revenues and expenditures and a comparison to the prior YTD revenues and expenditures to the current YTD revenues and expenditures. (The income statement) The Board is provided detailed financial statements along with the presented report each month. In the future, the Controller will continue to report the financial reports to the Board in each monthly Board Meeting to inform the Board Members of the financial position and operations of the District.”