

Uintah Water Conservancy District

Financial Statements

Year ending December 31, 2015

Table of Contents

Table of Contents	1
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Reconciliations:	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fund Financial Statements:	
Balance Sheet—Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	15
Budget and Actual—General Fund	16
Note Disclosures to Financial Statements	17
Required Supplemental Information	30
Compliance and Management Section:	
Compliance and Control (Yellow Book) Report	35
State of Utah Compliance Report	36

Financial Section

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Independent Auditors' Report

Uintah Water Conservancy District
Vernal, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Uintah Water Conservancy District, as of and for the year ending December 31, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and each major fund, of the Uintah Water Conservancy District, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5-9 and pension schedules following the notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2016 on our consideration of Uintah Water Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Uintah Water Conservancy District's internal control over financial reporting and compliance.

Aycock, Miles & Associates, CPAs

April 16, 2016

Management's Discussion and Analysis

As management of the Uintah Water Conservancy District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2015.

Financial Highlights

- Assets exceeded liabilities at closest year-end: \$67,207,298 – \$22,094,701 = \$45,112,597.
- The District had \$21,695,049 in current and long-term debt at the closest year-end, a decrease of \$375,829.
- Net Position increased by \$96,755 from the prior year.
- The District's total assets of \$67,207,298 were 7.6% unrestricted cash and receivables. Last year was 7.1%.
- Capital outlay was \$680,149.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is water conservation. The District has no business-type activities.

Government-wide financial statements can be located using the table of contents.

Fund financial statements—A fund is a grouping of related accounts that is 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. All of the funds of the District can be put into one category: governmental funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. The District considers all governmental funds to be major funds.

The District adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be located using the table of contents.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report—please see table of contents for page numbers.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$45,112,597 at the close of the most recent fiscal year.

The largest portion of the District's net position was capital assets. Unrestricted net position accounted for 11.3% of the District's total net position. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets (funds capital projects and debt reserves, etc.) comprised 2.0%. Capital assets comprised 86.7% of total net position, less any related debt used to acquire those assets that is 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 any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

<u>Net Position</u>	Governmental Activities		
	2015	2014	Change
Current and other assets	\$ 6,165,114	\$ 6,062,419	\$ 102,695
Notes receivable	15,956,615	16,295,592	(338,977)
Net capital assets	<u>45,085,569</u>	<u>45,171,415</u>	<u>(85,846)</u>
Total assets	67,207,298	67,529,426	(322,128)
			-
Current liabilities	993,976	678,522	315,454
Long-term liabilities	<u>21,100,725</u>	<u>21,835,062</u>	<u>(734,337)</u>
Total liabilities	<u>22,094,701</u>	<u>22,513,584</u>	<u>(418,883)</u>
Net assets:			
Capital assets, net of related debt	39,130,677	39,396,129	(265,452)
Restricted	905,114	1,143,599	(238,485)
Unrestricted	<u>5,076,806</u>	<u>4,476,114</u>	<u>600,692</u>
Total net position	<u>\$ 45,112,597</u>	<u>\$ 45,015,842</u>	<u>\$ 96,755</u>

Government activities— Key elements of the governmental activities and business-type activities are as follows.

Change in Net Position	Governmental Activities		
	2015	2014	Change
Program revenues:			
Charges for services	\$ 1,161,255	\$ 1,020,861	\$ 140,394
Operating grants	-	-	-
Capital grants	-	13,886,110	(13,886,110)
General revenues:			-
Property taxes	2,532,726	2,639,961	(107,235)
Earnings from investments	269,772	283,134	(13,362)
Total revenues	3,963,753	17,830,066	(13,866,313)
Expenses:			-
Water conservation & distribution	3,866,998	3,292,105	574,893
Total Expenses	3,866,998	3,292,105	574,893
Increase in net position	\$ 96,755	\$ 14,537,961	\$ (14,441,206)

Operating and capital grants will vary year to year based on project funding. Water conservation and distribution expenses were less than the prior year. Revenues changed due to variation in long term agreements, change in revenue from investments, and the change in property valuations for property taxes. Capital projects are, for the most part, fully funded by grants, loans, cash savings, and property tax revenues which exceed remaining operating and administration expenses.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are two types of funds: governmental funds and proprietary funds. The District utilizes only governmental funds.

Governmental funds—The focus of the District’s governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

	General Fund		Capital Projects Fund		All Governmental Funds	
	2015	2014	2015	2014	2015	2014
Revenues	\$ 4,283,727	\$ 4,462,380	\$ -	\$ -	\$ 4,283,727	\$ 4,462,380
Grants	-	7,078,110	-	-	-	7,078,110
Transfers	(414,788)	(115,503)	414,788	115,503	-	-
Loan proceeds	-	6,808,000	-	-	-	6,808,000
Operations expense	(2,123,463)	(2,129,293)	-	-	(2,123,463)	(2,129,293)
Capital outlay	(680,149)	(15,437,411)	-	-	(680,149)	(15,437,411)
Capital outlay for others	-	-	-	-	-	-
Refunding bonds	(507,500)	-	-	-	(507,500)	-
Debt service	(889,586)	(890,126)	-	-	(889,586)	(890,126)
Change in fund balance	(331,759)	(223,843)	414,788	115,503	83,029	(108,340)
Fund balances:						
Restricted	905,114	1,143,599	-	-	905,114	1,143,599
Assigned	-	-	2,546,092	2,131,304	2,546,092	2,131,304
Unassigned	2,359,278	2,452,552	-	-	2,359,278	2,452,552
Total fund balance	<u>\$ 3,264,392</u>	<u>\$ 3,596,151</u>	<u>\$ 2,546,092</u>	<u>\$ 2,131,304</u>	<u>\$ 5,810,484</u>	<u>\$ 5,727,455</u>

The general fund is the chief operating fund of the District. Unassigned fund balances are available for spending at the government’s discretion. Restricted balances are for unexpended grant proceeds and required debt payment reserves. Assigned fund balances are amounts that are constrained by the government for specific operating and maintenance purposes.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned general fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents about 78% of total general fund expenditures excluding capital outlay and refunding bond cost.

The capital projects fund increased because of an operating transfer from the general fund.

Fund Budgetary Highlights

Amendments may be made to the funds’ original budgets to more accurately reflect the expected expenses and revenue as the year progresses. The District amended their budget this year in order to accommodate the additional costs of certain capital outlay projects, changes to debt service and various operating cost increases.

General Fund	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 4,380,427	\$ 4,151,843	\$ 4,283,727	\$ 131,884
Loan proceeds	-	-	-	-
Expenses	(5,452,424)	(2,952,468)	(2,803,612)	148,856
Debt service	(855,813)	(885,387)	(889,586)	(4,199)
Refunding bonds	-	(507,500)	(507,500)	-
Transfers	-	(304,590)	(414,788)	(110,198)
Net change	<u>\$ (1,927,810)</u>	<u>\$ (498,102)</u>	<u>\$ (331,759)</u>	<u>\$ 166,343</u>

Capital Asset and Debt Administration

Capital assets—As of December 31, 2015, the District's investment in capital assets for its governmental activities amounts to \$45,085,569 (net of accumulated depreciation). These capital assets are land, land improvements, buildings, transportation equipment, office equipment, and water systems. Net capital assets of governmental activities decreased because capital purchases were less than current year depreciation expense.

<u>Net Capital Assets</u>	<u>Governmental Activities</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	
Land & water rights	\$ 14,197,578	\$ 14,197,578	\$ -
Buildings & equipment, net	30,887,991	30,973,837	(85,846)
Total capital assets, net	<u>\$ 45,085,569</u>	<u>\$ 45,171,415</u>	<u>\$ (85,846)</u>

Long-term debt—The District had long-term debt activity for the following notes payable during the year.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Governmental Funds:			
Vernal Unit--Irrigation	\$ -	\$ 28,567	\$ (28,567)
Jensen Unit--Irrigation	285,000	300,000	(15,000)
Jensen Unit--M & I	3,532,049	3,641,311	(109,262)
Vernal Unit--Modification	840,000	840,000	-
CIB 1999 Revenue Bond, Reach III	94,000	116,000	(22,000)
2008A Revenue Bond	905,000	946,000	(41,000)
Zions Bank Line of Credit	-	-	-
CIB 2004 Revenue Bond, Water Tank	153,000	168,000	(15,000)
2009A Revenue Bond (Refunded by 2015A)	-	4,785,000	(4,785,000)
2015A Refunding 2009A Bonds	4,644,000	-	4,644,000
2009 Revenue Subordinate Taxable Bond	4,434,000	4,438,000	(4,000)
2014 Revenue Subordinate Bond	6,808,000	6,808,000	-
Total Principle Outstanding	\$ 21,695,049	\$ 22,070,878	<u>\$ (375,829)</u>
Less: Current Portion	(810,782)	(504,829)	
Total Long-term Debt	<u>\$ 20,884,267</u>	<u>\$ 21,566,049</u>	

Economic Factors and Next Year's Budgets and Rates

The District's budget for next year is relatively similar to the most recent year's actual expenses with the exception of changes to capital outlay. Capital outlay depends on financing and grants. No changes in budgeted tax revenues have been made for the next fiscal year. The tax rates are set to reach the same budgeted revenues.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's clerk at (435) 789-1651.

Uintah Water Conservancy District
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 4,159,907
Restricted cash	905,114
Due from other governments:	
Property taxes receivable	553,169
Accounts receivable	407,177
Prepaid expenses	42,776
Total current assets	<u>6,068,143</u>
Noncurrent Assets:	
Capital assets:	
Land & water	14,197,578
Buildings & equipment, net of accum. depreciation	30,887,991
Long-term notes receivable & commitments	15,956,615
Total noncurrent assets	<u>61,042,184</u>
Deferred outflows of resources-pensions	96,971
Total assets and deferred outflows of resources	<u><u>\$ 67,207,298</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 90,581
Accrued expenses	65,154
Deferred grant revenues	-
Current portion note payable	810,782
Total current liabilities	<u>966,517</u>
Non Current Liabilities:	
General obligation & revenue bonds	20,884,267
Net pension liability	216,458
Total noncurrent liabilities	<u>21,100,725</u>
Total liabilities	<u>22,067,242</u>
Deferred inflows of resources-pensions	27,459
Total liabilities and deferred inflows of resources	<u><u>22,094,701</u></u>
NET POSITION	
Invested in capital assets, net of related debt	39,130,677
Restricted (capital projects, debt service reserve, etc.)	905,114
Unrestricted	5,076,806
Total net position	<u>45,112,597</u>
Total liabilities & net position	<u><u>\$ 67,207,298</u></u>

Uintah Water Conservancy District
STATEMENT OF ACTIVITIES
For the year ending December 31, 2015

Functions	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
Water conservation & distribution	\$ 3,418,131	\$ 1,161,255	\$ -	\$ -	\$ (2,256,876)
Interest expense & refunding charge	448,867	-	-	-	(448,867)
Total governmental activities	<u>\$ 3,866,998</u>	<u>\$ 1,161,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,705,743)</u>
General Revenues:					
		Property taxes			2,532,726
		Earnings on investments & notes receivable			269,772
		Transfers			-
		Total general revenues			<u>2,802,498</u>
Change in net position					96,755
		Beginning net position			<u>45,015,842</u>
		Ending net position			<u>\$ 45,112,597</u>

Uintah Water Conservancy District
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
December 31, 2015

Total Fund Balances for Governmental Funds \$ 5,810,484

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land & water	14,197,578	
Water system, buildings, & equipment	35,956,645	
Accumulated depreciation	<u>(5,068,654)</u>	
		45,085,569

Long-term debt, for funds other than enterprise funds, are recorded in the government-wide financial statements but not in the fund statements.	(21,695,049)
---	--------------

Long-term contracts receivable	15,956,615
--------------------------------	------------

Net pension liability	(216,458)
-----------------------	-----------

Deferred inflows & outflows of pension resources	69,512
--	--------

Deferred property tax revenue includes delinquent property taxes in the fund statements but not in the government-wide statements.	<u>101,924</u>
--	----------------

Total Net Position of Governmental Activities \$ 45,112,597

Uintah Water Conservancy District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ending December 31, 2015

Net Change in Fund Balances--Total Governmental Funds	\$	83,029
--	----	--------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	680,149	
Book value of assets sold	(15,488)	
Depreciation	(750,507)	
Net		(85,846)

Government funds do not report delinquent taxes as revenue because these revenues are not available for current period expenses.	19,002
--	--------

Change in long-term notes receivable	(338,976)
--------------------------------------	-----------

Change in deferred pension resources	43,717
--------------------------------------	--------

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

Principal payments	504,829	
Additional loan after refunding bond	(129,000)	
Loan proceeds	-	
		375,829

Change in Net Position of Governmental Activities	\$	<u>96,755</u>
--	----	---------------

Uintah Water Conservancy District
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	Governmental Funds		
	General	Capital Projects	Total
Assets			
Cash	\$ 1,613,815	\$ 2,546,092	\$ 4,159,907
Restricted cash debt service	905,114	-	905,114
Due from other governments:			
Property taxes receivable	451,245	-	451,245
Property taxes receivable--delinquent	101,924	-	101,924
Accounts receivable	407,177	-	407,177
Prepaid expenses	42,776	-	42,776
Long-term receivables & commitments due beyond one year	15,956,615	-	15,956,615
Total Assets	\$ 19,478,666	\$ 2,546,092	\$ 22,024,758
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 90,581	\$ -	\$ 90,581
Accrued expenses	65,154	-	65,154
Deferred grant revenues	-	-	-
Total liabilities	155,735	-	155,735
Deferred Inflows of Resources:			
Long-term receivables & commitments not available	15,956,615	-	15,956,615
Delinquent property taxes not available	101,924	-	101,924
Total deferred inflows of resources	16,058,539	-	16,058,539
Fund Balances			
Fund balances:			
Restricted	905,114	-	905,114
Assigned	-	2,546,092	2,546,092
Unassigned	2,359,278	-	2,359,278
Total fund balances	3,264,392	2,546,092	5,810,484
Total Liabilities and Fund Balances	\$ 19,478,666	\$ 2,546,092	\$ 22,024,758

Uintah Water Conservancy District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ending December 31, 2015

	Governmental Funds		
	General	Capital Projects	Total
Revenues			
Property taxes	\$ 2,513,724	\$ -	\$ 2,513,724
Water treatment fees	654,270	-	654,270
Pumping fees	31,979	-	31,979
Operation and maintenance fees	353,869	-	353,869
Interest income	24,552	-	24,552
Green River application fees	75,000	-	75,000
Miscellaneous	15,665	-	15,665
Principal from long-term contracts	338,976	-	338,976
Interest from long-term contracts	245,220	-	245,220
Total revenues	4,253,255	-	4,253,255
Expenditures			
Payroll and benefits	827,563	-	827,563
Water treatment and extra water costs	713,213	-	713,213
Unit operation and maintenance costs	371,340	-	371,340
Professional fees	12,304	-	12,304
Operating expenses	134,014	-	134,014
Administrative expenses	43,868	-	43,868
Project planning and assistance	21,161	-	21,161
Capital outlay	680,149	-	680,149
Capital outlay assistance (other entities)	-	-	-
Debt service:			
Principal	504,829	-	504,829
Payment to refunded bond irrevocable escrow	507,500	-	507,500
Bond issuance costs	64,890	-	64,890
Interest	384,757	-	384,757
Total expenditures	4,265,588	-	4,265,588
Excess (deficiency) of revenues over expenditures	(12,333)	-	(12,333)
Other Financing Sources (uses)			
Sale of capital assets	30,472	-	30,472
Transfers in (out)	(414,788)	414,788	-
Grants, federal and state	-	-	-
Bond proceeds	-	-	-
Refunding loan proceeds	4,644,000	-	4,644,000
Refunding loan paid to refunded bond irrevocable escrow	(4,579,110)	-	(4,579,110)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(331,759)	414,788	83,029
Fund balances - beginning of year	3,596,151	2,131,304	5,727,455
Fund balances - end of year	\$ 3,264,392	\$ 2,546,092	\$ 5,810,484

Uintah Water Conservancy District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the year ending December 31, 2015

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 2,431,000	\$ 2,431,000	\$ 2,513,724	\$ 82,724
Water treatment fees	532,000	653,400	654,270	870
Pumping fees	54,000	31,979	31,979	-
Operation and maintenance fees	466,145	352,685	353,869	1,184
Interest income	16,550	24,229	24,552	323
Green River application fees	46,500	75,000	75,000	-
Miscellaneous	7,000	2,049	15,665	13,616
Principal from long-term contracts	582,013	336,282	338,976	2,694
Interest from long-term contracts	245,219	245,219	245,220	1
Total revenues	4,380,427	4,151,843	4,253,255	101,412
Expenditures				
Payroll and benefits	794,200	841,800	827,563	14,237
Water treatment and extra water costs	596,800	705,800	713,213	(7,413)
Unit operation and maintenance costs	793,373	518,495	371,340	147,155
Professional fees	22,500	14,049	12,304	1,745
Operating expenses	182,535	144,619	134,014	10,605
Administrative expenses	54,650	46,480	43,868	2,612
Project planning and assistance	25,000	25,000	21,161	3,839
Capital outlay	2,983,366	656,225	680,149	(23,924)
Capital outlay assistance (other entities)	-	-	-	-
Debt service:				
Principal	487,842	499,842	504,829	(4,987)
Payment to advance refunding irrevocable escrow	-	507,500	507,500	-
Bond issuance costs	-	64,890	64,890	-
Interest	367,971	385,545	384,757	788
Total expenditures	6,308,237	4,410,245	4,265,588	144,657
Excess of revenues over expenditures	(1,927,810)	(258,402)	(12,333)	246,069
Other Financing Sources (uses)				
Sale of capital assets	-	-	30,472	30,472
Transfers in (out)	-	(304,590)	(414,788)	(110,198)
Grants, federal and state	-	-	-	-
Bond proceeds	-	-	-	-
Refunding loan issued	-	4,644,000	4,644,000	-
Payment to refunded bond escrow agent	-	(4,579,110)	(4,579,110)	-
Excess of revenues and other financing sources over expenditures and other uses	(1,927,810)	(498,102)	(331,759)	166,343
Fund balances - beginning of year	3,596,151	3,596,151	3,596,151	-
Fund balances - end of year	\$ 1,668,341	\$ 3,098,049	\$ 3,264,392	\$ 166,343

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 1 Summary of Significant Accounting Policies

The Uintah Water Conservancy District was created in 1956 to develop and conserve water supplies for the benefit of Uintah County inhabitants, to construct, to operate, and to maintain facilities associated with these water resources. The District can be contacted by calling (435) 789-1651.

Reporting Entity—The accounting policies of Uintah Water Conservancy District conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the District has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources accumulated for the purpose of significant construction projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Indirect charges are not allocated to their various functions because the District maintains a general administration function to capture indirect costs. Depreciation is allocated directly to functional expenses and interest expense is categorized separately in the Statement of Net Position.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 District does not have any proprietary funds.

Deposits and Investments—The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible amounts. Eventual payment is received on most trade accounts receivable. The District does not have any interfund receivables or payables.

Property Taxes—The property tax revenue of the District is collected and distributed by Uintah County. Utah statutes establish the process by which taxes are levied and collected. Taxes are levied each January 1 and assessed the following November which is before the District's financial statement year-end. Property taxes are recorded as revenue when they become measurable and available in the year for which the taxes are levied. Amounts available include those property tax receivables expected to be collected within sixty days after year-end.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted and Committed Assets—At times, the District may have funds set aside that are legally restricted, contractually limited, or committed by the governing body. When both restricted or committed funds 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.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individually significant cost and an estimated useful life in exceeding one year. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives: water canals and reservoirs 50 years, water structures 40 years, buildings and improvements 40 years, machinery and equipment 10 years, office furniture and equipment 3-7 years.

Compensated Absences—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations—In the government-wide financial statements long-term debt obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—Equity is reported differently for the government-wide and fund financial statements.

Government-wide Financial Statements—equity is classified in the government-wide financial statements as net position and is displayed in three components:

Invested in capital assets, net of related debt - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested" in capital assets, net of relation det."

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Fund Financial Statements—In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. The District's Board of Directors is the highest level of decision making. Descriptions of equity classifications follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The District's Board may assign balances.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

Budgetary information— An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing. A capital budget is also adopted by the board of trustees which identifies planned capital asset addition and requirements for long-term debt service principal payments, as well as the plan for financing these items.

Interfund Transfers—The District's purpose for interfund transfers is to accumulate resources for capital projects.

Pensions— For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by the URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of deferred outflow of resources, associated with Utah Retirement System multi-employer pension plan.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expenditure) until then. The District has only one type of deferred inflows of resources, associated with Utah Retirement System multi-employer pension plan.

Note 2 Capital Assets

A summary of capital asset activity is listed below.

	Balance Dec 31, 2014	Increases	Decreases	Balance Dec 31, 2015
Governmental Funds:				
Water conservation & distribution:				
Land & water rights (not depreciated)	\$ 14,197,578	\$ -	\$ -	\$ 14,197,578
Buildings & equipment	35,331,504	680,149	(55,008)	35,956,645
Sub-total	49,529,082	680,149	(55,008)	50,154,223
Accumulated Depreciation:				
Governmental funds	(4,357,667)	(750,507)	39,520	(5,068,654)
Sub-total	(4,357,667)	(750,507)	39,520	(5,068,654)
Net totals	\$ 45,171,415	\$ (70,358)	\$ (15,488)	\$ 45,085,569

Depreciation expense of \$750,507 for the year ended December 31, 2015 was allocated to the water conservation and distribution function of the District.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 3 Cash Deposits and Investments

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

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

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 4,159,907	Checking	\$ 746,034
Restricted cash for debt	905,114	Zions Trust	343,616
Restricted cash for construction	-	Utah Public Treasurer Pool	3,975,371
Total	<u>\$ 5,065,021</u>	Total	<u>\$ 5,065,021</u>

Notes: Balance above excludes \$5,086,610 deposited to a irrevocable refunded bond issuance escrow account.

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2015, \$495,885 of the District's bank balances of \$745,885 was uninsured and uncollateralized at year end.

Investments

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

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah PTIF	3,975,371	3,975,371	-	-	-
Zions Trust (holding PTIF accounts)	343,616	343,616	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

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

At December 31, 2015, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah PTIF	3,975,371	-	-	-	3,975,371
Zions Trust (holding PTIF accounts)	343,616	-	-	-	343,616

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015

Note 4 Reserved and Designated Net Position

The District has reserved net position to comply with bond covenants, Bureau of Reclamation requirements, and capital projects pending. The District's Board of Directors has also designated reserve balances for capital projects.

	General Fund	Capital Projects Fund
Board designated funds	\$ -	\$ 2,546,092
Debt service reserves	905,114	-
Total	<u>\$ 905,114</u>	<u>\$ 2,546,092</u>

Note 5 Exposures to Risks of Loss

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to reimburse its losses, subject to limitations and deductibles, for many of the identified risks. The District is insured for commercial liability and auto liability up to a maximum of \$1,000,000 per accident or loss. The District's office building and shop are insured against property damage. The District's other assets, including automobiles and other equipment, are not insured against property damage. District employees are insured for job related injuries through the Utah Workers Compensation Fund. The District also provides medical insurance coverage for employees the Public Employees Health Program.

Note 6 Commitments

The District is frequently engaged in capital, conservation projects. In subsequent years, District will likely engage in construction projects that are financed with accumulated cash savings or revenue bonds.

Note 7 Deferred Inflows of Resources

The District has accrued receivable balances that are unavailable as a current resource and therefore have been recorded as deferred inflows of resources in the governmental fund balance sheet. The District has long-term receivables or commitments from various government entities and non-profit companies to aid in the payments of long-term debts. These applicable long-term debts aided in the financing of projects that benefited those entities. At year-end December 31, 2015, the long-term receivable balance was \$15,956,615. Also, for the same year-end, the District has also accrued delinquent property taxes which are unavailable to the District for \$101,924. The District also discloses deferred inflows/outflows of resources related to its participation in a multi-employer pension plan. These pension related balances are contained only in the statement of net position.

NOTE 8 Refunding Bond

The District refunded its 2009A Revenue Bonds with 2015A Revenue Refunding Bonds. The refunded bonds are in legal defeasance until January 15, 2019. In order to refund the 2009A Series Bonds of \$4,515,000 plus their accrued interest during the defeasance period, the District borrowed \$4,644,000 and contributed an additional \$507,500 from the refunded loan's restricted escrow reserve account. Cash flow conserved over the next 12 years is estimated at \$220,000. The economic gain of the refunding is approximately \$195,000. The release of the \$507,500 from the restricted escrow to be used on the refunding created significant cash flow savings for the annual debt service.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

Note 9 Long-term Obligations and Notes Receivable

Many of the District's long-term obligations have corresponding note receivables from various government entities that the District serves. Because these projects were mutually beneficial, various governments agreed to pay these note receivables to the District at the time the District incurred these long-term obligations. Changes in the long-term obligations and the notes receivable for year ending December 31, 2015 are as follows:

- Note A 4,600 acre/feet allotment of irrigation water per year from Jensen Unit, annual payments of \$15,000, 0.0%, matures 2034.
- Note B 17,900 acre/feet allotment of irrigation water/year from the Vernal Unit, annual payments of \$30,000, 0.0%, matures 2015.
- Note C 2,000 acre/feet allotment of municipal and industrial water per year from the Jensen Unit, annual payments of \$226,585, 3.22%, matures 2037.
- Note D Safety of Dams Act in connection with an allotment of 17,900 acre/feet of irrigation water per year, the District agreed to pay the Bureau (and the water users agreed to pay the District) \$840,000 for dam modification work done to comply with the "Act", annual payments of \$30,000, 0.0%, first payment is 2016 and matures 2043.
- Note E Series 1999 Revenue Bonds issued for Reach III project, annual payments of about \$25,000, 3.0%, matures 2020.
- Note F Series 2004 Revenue Bonds, annual payments range from \$12,000 to \$18,000, 2.5%, matures 2025.
- Note G Series 2008A Revenue Bonds, annual payments range from \$28,000 to \$59,000, 2.0%, matures 2032.
- Note H Series 2009A Revenue Bonds, principal payments range from \$245,000 to \$490,000, interest varies from 3.0% to 5.25%, matures 2027. This bond has been refunded by Refunding Bond 2015A and in legal defeasance until Jan 15, 2019.
- Note I Series 2009 Revenue Subordinate Taxable Bonds, payments are \$4,000 through 2020, then \$50,000 to 2027, then \$455,000 to 2035, 0.0%, matures 2036.
- Note J Series 2014 Revenue Subordinate Bonds, payments are about \$290,000 annually, 1.5%, matures 2045.
- Note K Series 2015A Water Revenue Refunding Bonds, principal payments range from \$389,000 to \$435,000, interest varies from 0.94% to 3.11%, matures January 15, 2027.

Debt	Dec. 31, 2014		Additions	Deletions	Dec. 31, 2015		Current debt
	Notes Receivable	Notes Payable			Notes Payable	Notes Receivable	
Note A	\$ 299,181	\$ 300,000	\$ -	\$ 15,000	\$ 285,000	\$ 284,899	\$ 15,000
Note B	26,507	28,567	-	28,567	-	-	-
Note C	3,620,531	3,641,311	-	109,262	3,532,049	3,511,268	112,782
Note D	840,000	840,000	-	-	840,000	840,000	30,000
Note E	115,257	116,000	-	22,000	94,000	93,256	22,000
Note F	126,100	168,000	-	15,000	153,000	115,700	15,000
Note G	-	946,000	-	41,000	905,000	-	42,000
Note H	-	4,785,000	-	4,785,000	-	-	-
Note I	-	4,438,000	-	4,000	4,434,000	-	4,000
Note J	6,537,949	6,808,000	-	-	6,808,000	6,537,949	181,000
Note K	4,730,067	-	4,644,000	-	4,644,000	4,573,543	389,000
	<u>\$ 16,295,592</u>	<u>\$ 22,070,878</u>	<u>\$ 4,644,000</u>	<u>\$ 5,019,829</u>	<u>\$ 21,695,049</u>	<u>\$ 15,956,615</u>	<u>\$ 810,782</u>

Bonds Refunded (Legal Defeasance)

Note H	4,785,000	-	270,000	4,515,000
--------	-----------	---	---------	-----------

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015

The annual requirements to amortize all debt outstanding as of December 31, 2015 are as follows:

Year	Principal	Interest	Total
2016	\$ 810,782	\$ 298,231	\$ 1,109,013
2017	784,416	326,031	1,110,447
2018	798,167	313,524	1,111,691
2019	812,039	299,815	1,111,854
2020	798,036	284,797	1,082,833
2021-25	4,416,781	1,166,220	5,583,001
2026-30	4,725,877	700,565	5,426,442
2031-35	4,799,781	421,459	5,221,240
2036-40	2,343,170	178,587	2,521,757
2041-45	1,406,000	59,190	1,465,190
Totals	<u>\$ 21,695,049</u>	<u>\$ 4,048,419</u>	<u>\$ 25,743,468</u>

NOTE 10 Prior Period Adjustments

Implementation of GASB 68 has required restating 2014 financial balances. Beginning unrestricted net position decreased \$190,664 because a net pension liability of \$269,013 and deferred outflow of resources of \$78,349 were included on the Statement of Net Position for year ending December 31, 2014.

NOTE 11 General Information about Pension Plan

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Gov Division Tier 2	N/A	N/A	14.91%
Noncontributory System			
15 - Local Gov Division Tier 1	N/A	N/A	18.47%

Pension Assets, Liabilities, Expense, and Deferred Outflows / Inflows of Resources Related to Pensions.

At December 31, 2014, we reported a net pension asset of \$0 and a net pension liability of \$216,458.

URS Plan	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0498494%	\$ -	\$ 216,458
Tier 2 Public Employees System	0.0000000%	-	-
Total Net Pension Asset/Liability		<u>\$ -</u>	<u>\$ 216,458</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$48,780. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015

Changes & Amounts	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,411
Changes in assumptions	-	21,049
Net difference between projected and actual earnings on pension plan investments	4,853	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	92,118	-
Total	<u>\$ 96,971</u>	<u>\$ 27,460</u>

\$92,118 was reported as deferred outflows of resources related to pension's results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Deferred Outflows
<u>December 31</u>	<u>(inflows) of Resources</u>
2015	\$ (5,721)
2016	(5,721)
2017	(5,721)
2018	(5,444)
2019	-
Thereafter	\$ -

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50-10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

Uintah Water Conservancy District
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 – December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		Long-Term expected portfolio real rate of return
	Target Asset Allocation	Real Return Arithmetic Basis	
Equity securities	40.00%	7.06%	2.82%
Debt securities	20.00%	0.80%	0.16%
Real assets	13.00%	5.10%	0.66%
Private equity	9.00%	11.30%	1.02%
Absolute return	18.00%	3.15%	0.57%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		5.23%
Inflation			<u>2.75%</u>
Expected arithmetic nominal return			<u>7.98%</u>

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share			
Net pension (asset)/liability	\$ 519,367	\$ 216,458	\$ (35,928)

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

Required Supplementary Information

Uintah Water Conservancy District
Schedules Required for Supplementary Pension Information
 Utah Retirement Systems

	2014		2015	
	Noncontributory System	Tier 2 Employees Contributory	Noncontributory System	Tier 2 Employees Contributory
Proportionate Share of the Net Pension Liability as of December 31				
Proportion of the net pension liability (asset)	0.0498494%	0.00%	n/a	n/a
Proportionate share of the net pension liability (asset)	\$ 216,458	\$ -	n/a	n/a
Covered employee payroll	\$ 437,682	\$ -	n/a	n/a
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.50%	0.00%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	90.20%	0.00%	n/a	n/a

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will be built prospectively. The schedule above began December 31, 2014.

Uintah Water Conservancy District
Schedules Required for Supplementary Pension Information
 Utah Retirement Systems

	2014		2015	
	Noncontributory System	Tier 2 Employees Contributory	Noncontributory System	Tier 2 Employees Contributory
Schedule of Contributions as of December 31				
Contractually required contribution	\$ 78,349	\$ -	\$ 88,633	\$ 3,485
Contributions in relation to the contractually required contribution	(78,349)	-	(88,633)	(3,485)
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$ 437,682	\$ -	\$ 464,867	\$ 41,936
Contributions as a percentage of covered-employee payroll	17.90%	0.00%	19.07%	8.31%

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above began December 31, 2014.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

Uintah Water Conservancy District
Notes Required for Supplementary Pension Information
 Utah Retirement Systems

Changes of Assumptions

If there were any changes to actuarial assumptions, they would be reported in this area.

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for informational purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 – December 31.

Year-ending December 31	2014		2015	
	Employee Paid Contributions	Employer Paid Contributions	Employee Paid Contributions	Employer Paid Contributions
401 (k) Plan	\$ 24,781	\$ 23,035	\$ 28,020	\$ 23,792
457 Plan	-	-	-	-
Roth IRA Plan	-	-	-	-
Traditional IRA Plan	-	-	-	-
HRA Plan	-	-	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401 (k) Plan

Compliance and Management Section

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Uintah Water Conservancy District

We have audited, 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, the financial statements of the governmental activities of Uintah Water Conservancy District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2016.

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 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance

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.

Aycock, Miles & Associates, CPAs

April 16, 2016

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Report On Utah Compliance with General Requirements and for Each Major State Program

Board of Directors
Uintah Water Conservancy District

We have audited Uintah Water Conservancy District's compliance with the applicable general state and major state program compliance requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended December 31, 2015.

General state compliance requirements were tested for the year ended December 31, 2015 in the following areas: budgetary compliance, fund balance, retirement systems, cash management, conflicts of interest, nepotism, etc.

The District received no nonmajor funding from the State of Utah. The District did not receive major program funding for this fiscal year.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, the Uintah Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended December 31, 2015.

Other Matters

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

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

Report On Internal Control Over Compliance

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

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

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

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

Aycock, Miles & Associates, CPAs

April 16, 2016

Schedule of Findings, Recommendations & Management Responses

- 2015-1 *Finding*—The District submitted its *Deposit & Investment Report Form* to the Money Management Council as required semi-annually. However, Zions Investment accounts were omitted from the form.
- Criteria*— All bank statement balances on June 30 and December 31 for deposits and investments are required to be included on the semi-annual form.
- Effect*—The investment accounts used for escrow and long-term debt reserves were excluded.
- Recommendation*—We recommend that the District include all deposit and investment accounts on the *Deposit and Investment Report Form*.
- Management Response*—The District will include the Zions investment accounts on the form.