

Kane County Water Conservancy District

Financial Statements With Government Reports

For the years ending June 30, 2015 and 2014

Kane County Water Conservancy District

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

Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors
Kane County Water Conservancy District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity, of Kane County Water Conservancy District, as of and for the year ended June 30, 2015, and 2014, 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. 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 business-type activity, of Kane County Water Conservancy District, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-6, schedule of the proportionate share of the net pension liability, schedule of contributions, and notes to required supplementary information 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 September 25, 2015 on our consideration of Kane County Water Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kane County Water Conservancy District's internal control over financial reporting and compliance.

Aycock, Miles & Associates, CPAs

September 25, 2015

Management's Discussion and Analysis

As management of the Kane County Water Conservancy District (KCWCD), we offer readers of the KCWCD's financial statements this narrative discussion, overview, and analysis of the financial activities for the fiscal years ending June 30, 2015 and 2014. We encourage readers to consider the information presented here as an overview of the operations of the KCWCD. This discussion and analysis is not intended to cover every aspect of the daily activities found at the KCWCD.

Financial Highlights

- The KCWCD revenues and non-operating revenues years ending June 30, 2015 and 2014 were \$2,346,386 and \$2,693,489. There was a decrease in grant and impact fee revenues.
- Net position decreased \$1,316,085.
- Net position invested in net capital assets less related debt decreased \$304,455.
- Long term debt decreased by \$463,368.
- Assets and deferred outflow of resources exceeded liabilities & deferred inflow of resources at closest year-end: $\$59,758,002 - \$31,533,869 = \$28,224,133$. Of this amount, \$3,307,405 is unrestricted and available to meet the District's ongoing obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the KCWCD's basic financial statements. The financial statements are comprised of three components; the Statement of Net position; the Statement of Revenues, Expenses, and Changes in Net position; and Statement of Cash Flows. This report also contains other supplementary information in addition to the basic financial statements themselves to give the reader an overall view of the KCWCD as a whole. The financial statements are designed to provide readers with a broad overview of the KCWCD's finances, in a manner similar to a private-sector business.

Statement of Net position

The statement of net position presents information on all of the assets and liabilities of the KCWCD, with the difference between the two reported as net position. Invested in capital assets are the fixed assets of the KCWCD reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the KCWCD is improving or deteriorating.

Condensed Statement of Net Position and Comparison

	June 30, 2015	June 30, 2014	June 30, 2013
Assets:			
Current assets	\$ 1,018,003	\$ 1,199,356	\$ 948,803
Notes receivable, noncurrent portion	2,903,711	3,281,658	3,856,974
Capital assets, net of depreciation	55,796,391	57,069,120	58,080,541
Pension deferred outflow of resources	39,897	31,666	-
Total assets & deferred outflows	<u>59,758,002</u>	<u>61,581,800</u>	<u>62,886,318</u>
Liabilities:			
Current liabilities	1,272,322	1,292,766	2,162,517
Noncurrent liabilities	30,237,583	30,748,816	30,450,092
Pension deferred inflow of resources	23,964	-	-
Total liabilities & deferred inflows	<u>31,533,869</u>	<u>32,041,582</u>	<u>32,612,609</u>
Equity:			
Invested in fixed assets, net of related debt	23,077,848	23,382,303	22,051,553
Restricted	1,838,880	2,343,786	5,025,514
Unrestricted	3,307,405	3,814,129	3,196,643
Total net position	<u>\$ 28,224,133</u>	<u>\$ 29,540,218</u>	<u>\$ 30,273,710</u>

As noted earlier, net position may serve over time as a useful indicator of an institution's financial position. In the case of the KCWCD, net position decreased by \$1,316,085 or 4.5% at the close of the most recent fiscal year. The majority of KCWCD's net position, \$23,077,848 or 81% of total net position reflects its investment primarily in capital less related debt (e.g., land, buildings, water system improvements, furniture and equipment). The KCWCD uses these capital assets to provide services to customers so, consequently, the majority of these assets are not available for future spending. Although the KCWCD'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. The District had restricted asset for debt service and retainage of \$1,838,880. The remaining balance of unrestricted net position, \$3,307,405, may be used to meet the KCWCD's ongoing obligations to customers, employees, and creditors.

Statement of Revenues, Expenses and Changes in Net position

This statement of revenues, expenses and changes in net position presents information showing how the net position of the KCWCD 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. The breakdown of "Operating" and Non-operating" categories are defined by accounting standards. The KCWCD experienced a large portion of its revenue from state appropriations and federal grants, as described earlier, as well as in other grants and user fees. The largest portion of the District's expenses came from capital construction costs.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 2015	FYE 2014	FYE 2013
Operating revenues	\$ 1,009,313	\$ 882,679	\$ 558,676
Operating expenses	<u>(3,015,596)</u>	<u>(2,806,657)</u>	<u>(2,585,845)</u>
Operating loss	(2,006,283)	(1,923,978)	(2,027,169)
Non-operating revenues	1,337,073	1,810,810	4,030,611
Non-operating expenses	<u>(646,875)</u>	<u>(620,324)</u>	<u>(797,772)</u>
Non-operating income	<u>690,198</u>	<u>1,190,486</u>	<u>3,232,839</u>
Change in net position	(1,316,085)	(733,492)	1,205,670
Net position--beginning of year	<u>29,540,218</u>	<u>30,273,710</u>	<u>29,068,040</u>
Net position--end of year	<u><u>\$ 28,224,133</u></u>	<u><u>\$ 29,540,218</u></u>	<u><u>\$ 30,273,710</u></u>

Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective of the KCWCD's financial results for the fiscal year. It provides a source and use of cash by a broad category of activity.

Condensed Statement of Cash Flows

	FYE 2015	FYE 2014	FYE 2013
Cash provided (used) by:			
Operating activities	\$ 3,371	\$ (169,334)	\$ (188,025)
Non-capital financing activities	839,414	785,943	775,806
Capital financing activities	(247,452)	1,384,571	10,013,742
Capital investing activities	<u>(1,217,608)</u>	<u>(4,607,716)</u>	<u>(6,640,558)</u>
Net increase (decrease) in cash	(622,275)	(2,606,536)	3,960,965
Cash at beginning of year	<u>2,894,146</u>	<u>5,500,682</u>	<u>1,539,717</u>
Cash at end of year	<u><u>\$ 2,271,871</u></u>	<u><u>\$ 2,894,146</u></u>	<u><u>\$ 5,500,682</u></u>

Fund Budgetary Highlights

Year-end June 30, 2015	Original	Amended	Actual
Revenues	\$ 3,360,400	\$ 3,360,400	\$ 2,346,386
Expenses	<u>(4,309,200)</u>	<u>(4,309,200)</u>	<u>(3,662,471)</u>
Net Income	<u><u>\$ (948,800)</u></u>	<u><u>\$ (948,800)</u></u>	<u><u>\$ (1,316,085)</u></u>
Year-end June 30, 2016	Budget		
Revenues	\$ 3,680,500		
Expenses	<u>(4,705,500)</u>		
Net Income	<u><u>\$ (1,025,000)</u></u>		

Capital Assets and Debt Administration

The District has been actively expanding operations through the purchase of existing systems and the improvement of the water system. The District used long-term revenue bonds, grants and impact fees to financing these construction projects. The following summarizes capital asset and debt activity.

Debt & Assets	30-Jun-14	Additions	Deletions	30-Jun-15
Long-term debt, water revenue bonds	\$ 31,343,031	\$ 399,539	\$ (862,908)	\$ 30,879,662
Land, water rights, & easements	\$ 16,645,696	\$ 154,862	\$ (50,832)	\$ 16,749,726
Construction in progress	903,919	747,117	-	1,651,036
Water system, buildings & equipment	49,912,190	386,567	-	50,298,757
Less accumulated depreciation	(12,736,471)	(2,005,539)	-	(14,742,010)
Net capital assets	\$ 54,725,334	\$ (716,993)	\$ (50,832)	\$ 53,957,509

Debt & Assets	30-Jun-13	Additions	Deletions	30-Jun-14
Long-term debt, water revenue bonds	\$ 31,003,475	\$ 925,000	\$ (585,444)	\$ 31,343,031
Land, water rights, & easements	\$ 15,793,775	\$ 869,058	\$ (17,137)	\$ 16,645,696
Construction in progress	6,696,317	64,956	(5,857,354)	903,919
Water system, buildings & equipment	41,438,158	8,474,032	-	49,912,190
Less accumulated depreciation	(10,873,223)	(1,863,248)	-	(12,736,471)
Net capital assets	\$ 53,055,027	\$ 7,544,798	\$ (5,874,491)	\$ 54,725,334

KCWCD Statistical and Financial Information

The KCWCD's tax rate increased 0.9% from the previous year. The tax rate has steadily increased each year since 2009. The increase was due primarily to general property devaluation within Kane County, which required a higher rate to be assessed in order to collect the same level of taxes as the previous year. There were 3,026 customers served at June 30, 2015 by the KCWCD year round culinary water system of which 88% were from the Cedar Mountain area.

	2011	2012	2013	2014	2015	Average
Customer accounts served	2,700	2,708	2,710	2,993	3,026	2,827
Increase from prior year	15	8	2	283	33	68
Tax rate	0.000527	0.000609	0.000621	0.000644	0.000650	0.000610
Tax rate change from prior year	10.3%	15.6%	2.0%	3.7%	0.9%	6.48%
Grants received	\$ 4,096,810	\$ 1,776,373	\$ 601,637	\$ 488,124	\$ 79,739	1,408,537

Requests for Information

This financial report is designed to provide a general overview of the Kane County Water Conservancy District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randall Brown, Accountant/Office Manager, 190 W. Center St. #200 Kanab, Utah 84741, telephone: (435) 644-3997.

Kane County Water Conservancy District
Statement of Net Position
Proprietary Fund
June 30, 2015 and 2014

	2015	2014
Assets:		
Current assets:		
Cash & cash equivalents	\$ 432,991	\$ 550,360
Accounts receivable	138,758	136,494
Grants receivable	5,065	-
Accrued interest receivable	-	61
Property tax receivable	16,535	45,789
Notes receivable impact and connection fees, current portion	374,654	416,652
Notes receivable, current portion	50,000	50,000
Total current assets	1,018,003	1,199,356
Non-current assets:		
Notes receivable impact and connection fees, non-current portion	1,146,180	1,474,612
Notes receivable, non-current portion	1,757,046	1,807,046
Net pension (URS) asset	485	-
Land, easements and water rights	16,749,727	16,645,696
Restricted cash for debt service and retainage	1,838,880	2,343,786
Construction in progress	1,651,037	903,919
Equipment, buildings, pipelines, etc.	50,298,757	49,912,190
(Less accumulated depreciation)	(14,742,010)	(12,736,471)
Total non-current assets	58,700,102	60,350,778
Deferred outflow of resources:		
Pension (URS) deferred outflow of resources	39,897	31,666
Total deferred outflow of resources	39,897	31,666
Total assets and deferred outflow of resources	\$ 59,758,002	\$ 61,581,800
Liabilities and net position:		
Current liabilities:		
Accounts payable	\$ 71,387	\$ 38,340
Accounts payable for construction	-	23,728
Accrued payroll payable	40,059	38,180
Accrued interest payable	153,909	153,882
Deferred revenue	182,348	218,087
Deposits	500	-
Bonds payable--due within one year	824,119	820,549
Total current liabilities	1,272,322	1,292,766
Non-current liabilities:		
Net pension (URS) liability	182,039	226,334
Bonds payable due after one year	30,055,544	30,522,482
Total non-current liabilities	30,237,583	30,748,816
Total liabilities	31,509,905	32,041,582
Deferred inflow of resources:		
Pension (URS) deferred inflow of resources	23,964	-
Total deferred inflow of resources	23,964	-
Net position:		
Invested in capital assets, net of related debt	23,077,848	23,382,303
Restricted assets for debt service and retainage	1,838,880	2,343,786
Unrestricted	3,307,405	3,814,129
Total net position	28,224,133	29,540,218
Total liabilities, deferred inflow of resources and net position	\$ 59,758,002	\$ 61,581,800

Kane County Water Conservancy District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund

For the years ending June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Water sales revenue	\$ 1,009,313	\$ 882,679
Total operating revenues	1,009,313	882,679
Operating expenses:		
Administrative	163,917	155,351
Wages	104,124	102,893
Employee benefits & health insurance	141,347	151,232
Insurance for liability	31,717	27,618
Travel and mileage	12,831	13,743
Meetings and public notices	12,342	9,812
Miscellaneous	4,933	3,556
Office supplies and utilities	60,017	53,330
Professional	29,023	43,639
Bad debt	-	-
Repairs, maintenance and operations	201,374	165,502
Depreciation	2,005,539	1,863,248
Water monitoring	18,478	22,951
Third party services, labor	229,954	193,782
Total operating expenses	3,015,596	2,806,657
Operating income (loss)	(2,006,283)	(1,923,978)
Nonoperating income (expense):		
Property tax revenues	833,160	788,952
Grant revenues	79,739	488,124
Investment earnings	144,947	122,008
Impact fees	116,665	261,197
Connection fees	60,577	50,914
Rental income	6,991	5,169
Other income	94,994	94,446
Connection expense	(8,584)	(9,609)
Interest expense and fiscal charges	(615,291)	(587,715)
Orderville Irrigation agreement	(23,000)	(23,000)
Total nonoperating income	690,198	1,190,486
Net income, change in net position	(1,316,085)	(733,492)
Net position--beginning	29,540,218	30,273,710
Net position--ending	\$ 28,224,133	\$ 29,540,218

Kane County Water Conservancy District
Statement of Cash Flows
Proprietary Fund
For the years ending June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from customers	\$ 1,007,549	\$ 816,666
Cash payments to suppliers for goods and services	(567,622)	(579,484)
Cash payments for payroll and administration	(436,556)	(406,516)
Net cash provided (used) by operations	3,371	(169,334)
Cash flows from noncapital financing activities:		
Property tax revenue	862,414	808,943
Payment irrigation company	(23,000)	(23,000)
Net cash (used) by noncapital financing	839,414	785,943
Cash flows from capital and related financing activities:		
Cash received from impact and connection fees	539,090	863,868
Cash received from note receivables	50,000	50,000
Grant revenue for construction	38,935	500,207
Other receipts	101,985	99,615
Interest received from notes receivable	101,171	100,866
Payments for studies and engineering	-	-
Interest paid on capital debt	(615,264)	(569,542)
Proceeds from bonds issued	399,539	925,000
Principal paid on long-term bonds and notes payable	(862,908)	(585,443)
Net cash (used) from capital and related financing	(247,452)	1,384,571
Cash flows from investing activities:		
Acquisition of capital assets	(1,261,444)	(4,631,175)
Interest received	43,836	23,459
Net cash (used) by investing	(1,217,608)	(4,607,716)
Net increase in cash and cash equivalents	(622,275)	(2,606,536)
Cash and cash equivalents--beginning	2,894,146	5,500,682
Cash and cash equivalents--ending	2,271,871	2,894,146
Balance sheet reconciliation		
Cash & cash equivalents	432,991	550,360
Restricted cash for debt service and retainage	1,838,880	2,343,786
Cash totals	2,271,871	2,894,146
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(2,006,283)	(1,923,978)
Adjustments to reconcile operating income:		
Depreciation	2,005,539	1,863,248
(Increase) decrease in accounts receivable	(2,264)	(66,013)
Increase (decrease) in accounts payable	33,047	(45,551)
Increase (decrease) in payroll taxes payable	1,879	2,960
Increase (decrease) in net pension asset & liability	(29,047)	-
Increase (decrease) in accounts payable		
Increase (decrease) in deposits payable	500	-
Net cash provided (used) by operations	\$ 3,371	\$ (169,334)

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

NOTE 1 Summary of Significant Accounting Policies

The Kane County Water Conservancy District, a Utah political subdivision, (the District) is organized under the Utah Water Conservancy Act of the State of Utah. The District operates under a board of directors appointed by Kane County and provides conservation and development of water resources to the residents of the District. The District develops, purchases, treats, and sells water to retail and wholesale customers. The following summarizes the District's significant accounting policies.

Reporting Entity—The accounting policies of Kane County Water Conservancy District conform to generally accepted accounting principles as applicable to governmental units. The District has no component units and is not a component unit of another entity.

Fund Accounting—The District uses only one fund to account for its operations. The proprietary fund (enterprise fund) is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting—The District records revenues and expenses using the accrual basis of accounting. 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.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operation. The District's principal operation is the sale and delivery of culinary water.

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 uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts allowance for doubtful accounts when considered uncollectible by management. Eventual payment is received on most trade accounts receivable.

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

Inventories—All inventories are valued at cost using the first-in/first-out method and recorded as expenditures when consumed rather than when purchased.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

Restricted, Committed or Assigned Assets—At times, the District may have funds set aside that are legally restricted or their use is limited by certain contracts. Restricted funds will be expended first when possible. Assets that are committed or assigned will also be considered expended first when possible.

Capital Assets—Capital assets include property, plant, and equipment. Capital assets are defined by the District as assets with an initial cost of \$2,000 or more and an estimated useful life 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 is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives: Water system, 25 years; buildings, 25 to 40 years; and equipment, 5 to 10 years.

Water Stock, Land and Easements—The District owns water rights, land and easements. Irrigation water rights are also purchased and are converted to culinary usage upon approval from the State of Utah. The District records these investments at cost.

Compensated Absences—The District's policy is to permit employees to accumulate earned but unused personal leave and sick leave benefits. There is no liability for unpaid accumulated sick leave since it is the District's policy to record the cost of sick leave as paid time off (PTO). PTO time is accrued when incurred and reported as a liability at that time.

Long-term Obligations—The District reports long-term obligations as non-current liabilities in the District's statement of net position. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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.

Exposure to Risks of Loss— The District minimizes its exposure to risks of loss through the purchase of commercial insurance. The District considers uninsured exposure to risks of loss as immaterial.

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.

Net Position—The District's net position are classified in three categories.

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

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

Unrestricted: Unrestricted net position represent available resources of the District. These resources may be used for legal purposes at the discretion of the board of directors.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

NOTE 2 Cash & Investments

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

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

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
	Balance Sheet	Deposits & Investments	
Cash	\$ 432,991	Checking, St Bank of So. Utah	\$ 37,645
Restricted cash	1,838,880	Utah Public Investment Pool	2,234,226
Totals	\$ 2,271,871		\$ 2,271,871

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 June 30, 2015, \$0 of the District's bank balances of \$42,664 (carrying balance of \$37,445) was uninsured or uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District 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 District 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.

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

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

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 June 30, 2015, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	10 +
State of Utah Public Treasurer's Investment Fund	2,219,878	2,219,878	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District'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 District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2015, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	2,219,878	-	-	-	2,219,878

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

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

NOTE 3 Long-term Debt & Related Restricted Cash

Changes in long-term debt and amounts due within one year are as follows:

Revenue Bonds	Maturity Year	Interest Rate	30-Jun-14	Additions	Deletions	30-Jun-15	Current
2000 A	2021	2.41%	\$ 111,000	\$ -	\$ 15,000	\$ 96,000	\$ 15,000
2002 A	2026	2.62%	495,000	-	36,000	459,000	37,000
2004 A	2045	4.25%	1,940,179	-	31,026	1,909,153	32,370
2005 A	2046	4.50%	2,286,493	-	32,778	2,253,715	34,284
2005 B	2046	4.50%	2,444,620	-	36,135	2,408,485	37,748
2006 A	2036	1.00%	3,950,000	-	20,000	3,930,000	20,000
2006 B	2046	4.25%	315,778	-	4,743	311,035	4,949
2007 A	2048	4.125%	507,163	-	7,566	499,597	7,884
2007 B	2049	4.25%	418,666	-	5,864	412,802	6,118
2009 A	2030	2.82%	863,000	-	43,000	820,000	45,000
2009 B	2050	2.75%	1,638,701	-	26,172	1,612,529	26,901
2010 A	2025	0.00%	274,757	-	36,150	238,607	36,150
2010 B	2028	0.00%	97,500	-	7,500	90,000	7,500
2011 A	2041	1.86%	2,584,000	-	75,000	2,509,000	76,000
2011 B	2052	1.00%	4,047,000	-	78,000	3,969,000	79,000
2011 C	2021	4.00%	252,000	-	24,000	228,000	25,000
2012 A	2033	1.93%	1,145,000	200,000	55,000	1,290,000	58,000
2012 B	2016	5.00%	26,674	-	26,674	-	-
2013 A	2017	4.71%	653,000	199,539	23,000	829,539	24,000
2013 B	2043	0.00%	7,000,000	-	241,000	6,759,000	241,000
2014	2021	4.00%	292,500	-	38,300	254,200	10,216
Totals			<u>\$ 31,343,031</u>	<u>\$ 399,539</u>	<u>\$ 862,908</u>	<u>\$ 30,879,662</u>	<u>\$ 824,120</u>

Summary of interest rates, annual payments, and debt service schedules are as follows. All loans are revenue bonds.

- 2000A \$273,000 Water Revenue Bond issued 8/29/2000, annual installments of \$16,000 to \$18,000 through year 2021, 2.41% APR.
- 2002A \$750,040 Water Revenue Bond issued 2/5/2002, annual installments of \$48,231 to \$49,104 through year 2026, 2.62% APR.
- 2004A \$2,167,400 Water Revenue Bond issued 6/14/2004, monthly installments of \$9,407 through year 2045, 4.25% APR.
- 2005A \$2,500,000 Water Revenue Bond issued 6/14/04, monthly installments of \$11,250 through 2046, 4.5% APR.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

- 2005B \$2,660,000 Water Revenue Bond issued 2/5/2002, monthly installments of \$11,864 through year 2046, 4.5% APR.
- 2006A \$3,990,000 Water Revenue Bond issued 7/1/2006, annual installments of \$39,900 to \$300,580 (amounts increase significantly from year to year) through 2036, 1.00% APR.
- 2006B \$347,000 Water Revenue Bond issued 7/18/06, monthly installments of \$1,506 through 2046; 4.25% APR.
- 2007A \$548,000 Water Revenue Bond issued 3/23/07, monthly installments of \$2,362 through 2048; 4.125% APR.
- 2007B \$452,000 Water Revenue Bond issued 10/01/07, monthly installments of \$1,962 through 2049; 4.25% APR
- 2009A \$1,025,000 Water Revenue Bond, annual installments of \$67,905 to \$67,337 payment begins in 2011 through 2030; 2.82% APR.
- 2009B \$1,693,000 Water Revenue Bond, 40 year payment schedule not set until all proceeds received; 2.75% APR .
- 2010A \$455,507 Water Revenue Bond, cooperative agreement with Kanab Irrigation to take on note in exchange for land, site of Jackson Flat Reservoir 08/10/10, annual installments of \$36,150 through 2025; 0.00% APR.
- 2010B \$135,000 Water Revenue Bond, cooperative agreement with Kanab Irrigation to take on note in exchange for land, site of Jackson Flat Reservoir 08/10/10, annual installments of \$7,500 through 2028; 0.00% APR.
- 2011A \$2,800,000 Water Revenue Bond, annual installments of around \$122,500 payment begins in 2012 through 2041; 1.86% APR.
- 2011B \$4,200,000 Water Revenue Bond, 40 year payment schedule, annual installments of \$104,000 to \$116,420 payments; 1.00% APR.
- 2011C \$297,000 Water Revenue Bond, annual installments of \$40,813 to \$41,600; 4.00% APR.
- 2012A \$1,448,000 Utah DDW Note Payable, payments of \$53,000 to \$84,000 through 2033; 1.93% APR.
- 2012B \$50,000 Long-term Note Payable, four year annual payment schedule of \$11,590 to \$13,441; 5.00% APR.
- 2013A \$852,539 Water Revenue Bond, annual principle installments of \$22,000 to \$84,000; 4.71% APR. All bond proceeds have not been received as of June 30, 2015.
- 2013B \$7,000,000 Water Revenue Bond, annual installments of \$241,000, with the last payment of \$252,000, payments begin in 2015; 0.00% APR.
- 2014 \$325,000 Utah SITLA Note Payable, annual installments of \$11,000, with the last payment of \$228,000 in year 2021; 4.00% APR.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

The District's debt service for the next forty year period is as follows.

Year	Principal	Interest	Total
2016	824,119	629,745	\$ 1,453,864
2017	837,751	612,457	1,450,208
2018	905,663	597,070	1,502,733
2019	939,867	580,302	1,520,169
2020	971,377	562,826	1,534,203
2021-25	5,201,799	2,506,551	7,708,350
2026-30	5,426,700	2,017,939	7,444,639
2031-35	5,610,667	1,488,541	7,099,208
2036-40	4,824,513	948,271	5,772,784
2041-45	3,718,154	440,979	4,159,133
2046-50	1,307,865	72,047	1,379,912
2051-55	311,187	4,474	315,661
	<u>\$ 30,879,662</u>	<u>\$ 10,461,202</u>	<u>\$ 41,340,864</u>

The District has set up reserve and redemption accounts for these bond contracts. As of June 30, 2015, the District has reserved \$1,521,728 for this purpose.

NOTE 4 Fixed Asset Activity

Fixed Asset Activity	30-Jun-14	Increase	Decrease	30-Jun-15
Capital assets not depreciated:				
Land, water rights & easements	\$ 16,645,696	\$ 154,862	\$ (50,832)	\$ 16,749,726
Construction in progress	903,919	747,117	-	1,651,036
Total nondepreciable assets	17,549,615	901,979	(50,832)	18,400,762
Capital assets depreciated:				
Water system	48,493,390	279,768	-	48,773,158
Buildings	95,590	-	-	95,590
Equipment	1,323,210	106,799	-	1,430,009
Total depreciable assets	49,912,190	386,567	-	50,298,757
Accumulated depreciation				
Water system	(11,836,956)	(1,963,197)	-	(13,800,153)
Buildings	(28,688)	(3,828)	-	(32,516)
Equipment	(870,827)	(38,514)	-	(909,341)
Total accumulated depreciation	(12,736,471)	(2,005,539)	-	(14,742,010)
Total assets net of depreciation	<u>\$ 54,725,334</u>	<u>\$ (716,993)</u>	<u>\$ (50,832)</u>	<u>\$ 53,957,509</u>

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

NOTE 5 Construction Commitments

The District has many construction projects in the planning stage or in progress. The District's goal for these projects is to finance the capital outlay with a mix of connection fees, impact fees, loans and grants. The District has \$317,152 cash restricted for the completion of ongoing projects.

NOTE 6 Joint Venture Agreement—Orderville Irrigation Company

On September 10, 1998, the District entered into a water development agreement with the Orderville Irrigation Company. The agreement provided for an expansion of the pipeline which carries water from the East Fork of the Virgin River to the Cove Reservoir. This expanded water pipeline is used jointly by the District and Orderville Irrigation Company. The agreement provides for an annual payment by the District to the Irrigation Company for the District's pro-rata portion of the water development project and related operating and maintenance costs.

NOTE 7 Prior Period Adjustments

Implementation of GASB 68 has required restating 2014 financial statements. Beginning unrestricted net position decreased \$194,668 because a net pension liability of \$226,334 and deferred outflow of resources of \$31,666 were included on the Statement of Net Position for year ending December 31, 2014.

NOTE 8 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.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 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	14.83%
Noncontributory System			
15 - Local Gov Division Tier 1	N/A	N/A	18.47%

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

At December 31, 2014, we reported a net pension asset of \$485 and a net pension liability of \$182,039.

URS Plan	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0419229%	\$ -	\$ 182,039
Tier 2 Public Employees System	0.0160113%	485	-
Total Net Pension Asset/Liability		\$ 485	\$ 182,039

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 \$47,199. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

Changes & Amounts	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,060
Changes in assumptions	-	17,904
Net difference between projected and actual earnings on pension plan investments	4,165	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	35,732	-
Total	\$ 39,897	\$ 23,964

\$35,732 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 (inflows) of Resources
December 31	
2015	\$ (4,875)
2016	(4,875)
2017	(4,875)
2018	(4,875)
2019	(85)
Thereafter	\$ (446)

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

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

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%)
<i>EDUM</i> = Constructed mortality table based on actual experience of male educators multiplied by given percentage
<i>EDUF</i> = Constructed mortality table based on actual experience of female educators multiplied by given percentage
<i>RP 2000mWC</i> = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

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		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
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%	27.41%	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.

Kane County Water Conservancy District
Notes to the Financial Statements
Year-ending June 30, 2015

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:

Proportionate Share	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net pension (asset)/liability	\$ 440,351	\$ 181,554	\$ (33,758)

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

Schedule of Required Supplementary Information
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Kane County Water Conservancy District
 Utah Retirement Systems
 Year-ending June 30, 2015
 Last 10 years*

Description	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.0419229%	0.0160113%
Proportionate share of the net pension liability (asset)	\$ 182,039	\$ (485)
Covered employee payroll	\$ 340,521	\$ 78,731
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.50%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	90.20%	103.50%
<p>* 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 need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.</p>		

Schedule of Required Supplementary Information
SCHEDULE OF CONTRIBUTIONS
 Kane County Water Conservancy District
 Utah Retirement Systems
 Year-ending June 30, 2015
 Last 10 years*

Description	Noncontributory System	Tier 2 Public Employees System
Contractually required contribution	\$ 65,891	\$ 6,606
Contributions in relation to the contractually required contribution	(65,891)	(6,606)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 340,521	\$ 78,731
Contributions as a percentage of covered-employee payroll**	19.35%	8.39%
<p>* 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 is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.</p>		
<p>**Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.</p>		

Notes to Required Supplementary Information
Kane County Water Conservancy District
Year-ending June 30, 2015

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.

Defined Contribution System		
Year-ending December 31, 2014	Employee Paid Contributions	Employer Paid Contributions
401 (k) Plan	\$ 17,550	\$ 1,348
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		

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

Certified Public Accountants

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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 Trustees
Kane County Water Conservancy District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities of Kane County Water Conservancy District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Kane County Water Conservancy District's basic financial statements and have issued our report thereon dated September 25, 2015.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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

September 25, 2015

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
Kane County Water Conservancy District

We have audited Kane County Water Conservancy District's compliance with the applicable general state and major state program compliance requirements described in the State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas: budgetary compliance, fund balance, Utah retirement systems, open public meetings act, GRAMA, conflicts of interest, and nepotism.

The District received funding from the State of Utah. None of these programs are considered major in accordance with Utah State Compliance Guide.

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 Kane County Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures one instance of noncompliance which are required to be reported in accordance with the State Compliance Audit Guide. Please see schedule of findings.

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

Certified Public Accountants

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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.

Purpose of this Report

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

September 25, 2015

Schedule of Findings

2015-1 **Finding**—A policy defining GRAMA [Government Records Access Management Act] requests has not been defined. Also, the records officer has not completed the annual online training course provided by State Archives on the requirements of GRAMA. Please refer to Utah Code 63G-2-108.

Criteria—Utah Code 63G-2-103 to 108 requires approved GRAMA policy and annual training.

Effect—The District Records officer does not have policy to follow or proper training to respond to requests.

Recommendation—We recommend that the Board develop a written GRAMA policy and provide training to their records officer. The training course is provided online at archives.utah.gov.

Management Response—The District will adopt a policy for responding to GRAMA requests. As of this audit report date, the District has already obtained the required training.