

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

December 31, 2019 and 2018

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (unaudited)	3
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial statements.....	15
Supplementary Information:	
Schedule of Budget to Actual Comparison	35
Schedule of Insurance Coverage	36
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	37
Schedule of Contributions	38
Notes to Required Supplementary Information.....	39
Other Reports:	
Independent Auditor’s Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Independent Auditor’s Report on Compliance and Report on Internal Control Over Compliance as Required by the State <i>Compliance Audit Guide</i>	42



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of Trustees
Taylorsville-Bennion Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of Taylorsville-Bennion Improvement District (the District) as of and for the years ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 financial position of Taylorsville-Bennion Improvement District, as of December 31, 2019, 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.

Other Matters

Prior Period Financial Statements

The financial statements of Taylorsville-Bennion Improvement District as of December 31, 2018 were audited by other auditors whose opinion dated May 2, 2019, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
April 13, 2020

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

Management's Discussion and Analysis is presented in three sections. The introductory section will show some of the highlights of the past year along with other important data, figures, and facts. The second section analyzes the results of operations, and the final section will address our consolidated revenues, expenses, and other liabilities.

Cautionary Statements

From time to time, in written reports and oral statements, we discuss our expectations regarding Taylorsville-Bennion Improvement District's future performance. These "forward-looking statements" are based on currently available financial and economic data and our operating plans. They are also inherently uncertain, and readers must recognize that events could turn out to be significantly different from what we expect.

Introduction

Taylorsville-Bennion Improvement District offers readers of its financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. The District encourages readers to consider the information presented in conjunction with the schedules, notes, and other reports found herein.

Taylorsville-Bennion Improvement District provides competitively-priced, customer-focused, drinking water and wastewater services. Our strategy recognizes that our products and services are essential to life and that our customers' expectations are high.

Taylorsville-Bennion Improvement District owns 11 active wells, 16 reservoirs, 3 active booster stations, 3 fluoride and chlorine injection plants, 2 lift stations and over 249 miles of water pipeline and over 187 miles of sewer pipeline. The District provides operations and maintenance for culinary water distribution and wastewater collection to:

- 16,561 individual residential households
- 513 commercial customers
- 199 institutional customers
- 5 industrial customers
- 70,192 population

The following is a discussion and analysis of Taylorsville-Bennion Improvement District's financial activities for the year ended December 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The District increased rates by 4% in 2019 as recommended by our 3rd party rate consultant. This funding allows us to be proactive in reviewing, maintaining and repairing our aging infrastructure.
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at December 31, 2019 by \$81,045,113 (net position). Of this amount, \$23,284,721 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$2,635,466. The total increase was made up of a \$2,678,936 increase from operating income, a \$407,752 decrease from non-operating income and an increase of \$364,282 from capital contributions.
- The District's operating revenue decreased by \$585,567 (3.8%). The decrease in operating revenues was a result of lower water sales than expected due to an abnormally wet spring.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

The District's total long-term debt decreased by \$901,643 during the current fiscal year. The decrease was attributable to principal payments and bond discount amortization on the Series 2010B bond. The decrease caused by principal payments was partially offset by an increase in net pension liability.

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

Overview of the financial statements

The District's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board ("GASB"). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The statements of net position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as total net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The statements of revenues, expenses and changes in net position present information showing how the net position changed during the fiscal years. 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 for some items that will only result in cash flows in future fiscal periods.

The statements of cash flows show a summary of the District's cash receipts and disbursements from operating, financing and investing activities.

The notes provide additional information that is essential to the full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

Net Position

The District's net position is comprised of net investments in capital assets (\$57,754,879), restricted for debt service (\$5,513) and unrestricted (\$23,284,721). Net investment in capital assets reflects the District's investment in capital assets (e.g. land, buildings, water system, sewer system, equipment, and water rights) less any related debt used to acquire those assets that is still outstanding. Resources needed to repay capital-related debt must be provided from other sources. The District's net position restricted for debt service is subject to external restrictions.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT'S STATEMENTS OF NET POSITION

	2019	2018	2017
Current and other assets	\$ 28,649,374	\$ 29,159,372	\$ 28,288,565
Capital assets, net	57,754,879	55,731,276	55,681,784
Total assets	<u>86,404,253</u>	<u>84,890,648</u>	<u>83,970,349</u>
Deferred outflows of resources	961,941	797,875	926,642
Long-term liabilities	5,019,679	4,153,363	6,477,324
Other liabilities	1,226,100	2,705,981	2,585,874
Total liabilities	<u>6,245,779</u>	<u>6,859,344</u>	<u>9,063,198</u>
Deferred inflows of resources	75,302	419,532	171,440
Net position			
Net investment in capital assets	57,754,879	54,258,277	52,771,921
Restricted	5,513	70,881	61,615
Unrestricted	23,284,721	24,080,489	22,828,817
Total net position	<u>\$ 81,045,113</u>	<u>\$ 78,409,647</u>	<u>\$ 75,662,353</u>

Changes in Net Position

The District's net position increased by \$2,635,466 during the year ended December 31, 2019. Key elements of this overall increase are as follows:

- A net loss in equity in Central Valley Water Reclamation Facility of \$1,967,399.
- An increase in interest income of \$194,486 and an increase in impact fees of \$374,312.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT'S CHANGES IN NET POSITION

	2019	2018	2017
Operating revenues:			
Water sales	\$ 8,498,618	\$ 9,279,156	\$ 8,924,387
Sewer service	6,061,925	5,943,401	5,983,979
Other	353,903	277,456	369,794
Nonoperating revenues:			
Property taxes and assessments	470,805	470,981	468,024
Interest income	534,158	339,672	320,585
Gain on disposal of capital assets	30,949	39,490	(194,407)
Impact fees	587,501	213,189	922,422
Gain in equity of Central Valley Water Reclamation Facility	-	-	916,730
Total revenues	<u>16,537,859</u>	<u>16,563,345</u>	<u>17,711,514</u>
Operating expenses:			
Direct operation and maintenance - water	3,913,336	4,371,990	4,711,044
Direct operation and maintenance - sewer	2,526,155	2,579,624	2,335,569
General and administrative	3,067,037	2,472,585	2,670,731
Depreciation and amortization	2,728,982	2,608,687	2,532,607
Nonoperating expenses:			
Interest expense	63,766	122,160	187,950
Loss in equity of Central Valley Water Reclamation Facility	1,967,399	2,120,511	-
Total expenses	<u>14,266,675</u>	<u>14,275,557</u>	<u>12,437,901</u>
Excess (deficiency) before capital contributions	<u>2,271,184</u>	<u>2,287,788</u>	<u>5,273,613</u>
Capital contributions	<u>364,282</u>	<u>459,506</u>	<u>604,258</u>
Change in net position	2,635,466	2,747,294	5,877,871
Net position, beginning	<u>78,409,647</u>	<u>75,662,353</u>	<u>69,784,482</u>
Net position, ending	<u>\$ 81,045,113</u>	<u>\$ 78,409,647</u>	<u>\$ 75,662,353</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets, as of December 31, 2019 totaled \$57,754,879 (net of accumulated depreciation) which is an increase of \$2,023,603 from December 31, 2018. The increase in assets was more than the increase in accumulated depreciation, which creates an overall increase in capital assets. This investment in capital assets includes the water system, sewer system, administrative buildings and land, water rights, well houses, reservoirs, and equipment.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

Major capital asset events during the fiscal year 2019 included the following:

- Increase in sewer systems of \$2,228,295 was due in large part to the lining of vital sewer pipelines in the District.
- Increase in water systems of \$1,317,547 was due in large part to several water mainline replacement projects.
- Increase in accumulated depreciation of \$2,379,828.

TAYLORSVILLE-BENNOIN IMPROVEMENT DISTRICT CAPITAL ASSETS

	2019	2018	2017
Land	\$ 2,588,709	\$ 2,604,804	\$ 2,571,407
Water rights	1,512,644	1,526,395	1,518,585
Construction in process	-	-	-
Buildings	5,051,599	5,051,599	5,047,144
Sewer systems	25,181,733	22,953,438	22,096,861
Water systems	54,771,945	53,454,398	52,914,616
Water wells	16,661,968	16,164,439	15,149,789
Meters and accessories	8,871,072	8,750,964	8,687,243
Equipment	4,782,540	4,513,742	4,444,085
Less accumulated depreciation	<u>(61,667,331)</u>	<u>(59,288,503)</u>	<u>(56,747,946)</u>
Capital assets, net of accumulated depreciation	<u>\$ 57,754,879</u>	<u>\$ 55,731,276</u>	<u>\$ 55,681,784</u>

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

Long-Term Debt

At December 31, 2019, the District had no water and sewer revenue bonds outstanding. The final payment of \$1,475,000 was paid in December, 2019.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT'S OUTSTANDING DEBT

	2019	2018	2017
Accrued termination benefits	\$ 3,181,057	\$ 3,160,449	\$ 3,619,792
Accrued compensated absences	413,510	434,478	506,798
Water and sewer revenue bond, series 2010B	-	1,475,000	2,915,000
Discount on bonds payable	-	(2,001)	(5,137)
Net pension liability	<u>1,525,912</u>	<u>954,196</u>	<u>1,345,705</u>
Total long-term liabilities	<u>\$ 5,120,479</u>	<u>\$ 6,022,122</u>	<u>\$ 8,382,158</u>

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT'S BUDGET VS. ACTUAL AMOUNTS

	Budget Amount	Actual Results	Variance
Operating revenues:			
Water and sewer service fees	\$ 15,311,000	\$ 14,560,543	\$ (750,457)
Miscellaneous	218,500	353,903	135,403
Total operating revenues	<u>15,529,500</u>	<u>14,914,446</u>	<u>(615,054)</u>
Non-operating revenues:			
Property tax	477,694	470,805	(6,889)
Contributions from builders and subdividers	-	364,282	364,282
Impact fees	458,127	587,501	129,374
Interest income	320,600	534,158	213,558
Gain on disposal of capital assets	-	30,949	30,949
Total non-operating revenues	<u>1,256,421</u>	<u>1,987,695</u>	<u>731,274</u>
Total revenues	<u>16,785,921</u>	<u>16,902,141</u>	<u>116,220</u>
Operating expenses:			
Salaries and benefits	3,757,388	4,009,610	(252,222)
Office expenses	552,100	692,634	(140,534)
Water and sewer system	3,046,665	2,284,132	762,533
Utilities	768,995	677,366	91,629
Gas and oil	64,000	41,965	22,035
Water purchases	1,875,000	1,590,033	284,967
Professional fees	182,700	71,844	110,856
Depreciation and amortization	2,744,584	2,728,982	15,602
Miscellaneous expense	235,500	138,944	96,556
Total operating expense	<u>13,226,932</u>	<u>12,235,510</u>	<u>991,422</u>
Non-operating expenses			
Interest expense	65,257	63,766	1,491
Loss in equity of Central Valley Water Reclamation Facility	<u>527,916</u>	<u>1,967,399</u>	<u>(1,439,483)</u>
Total non-operating expenses	<u>593,173</u>	<u>2,031,165</u>	<u>(1,437,992)</u>
Total expenses	<u>13,820,105</u>	<u>14,266,675</u>	<u>(446,570)</u>
Excess of revenues over expenses	<u>2,965,816</u>	<u>2,635,466</u>	<u>562,790</u>
Capital projects	<u>(9,606,578)</u>	<u>(7,751,127)</u>	<u>(1,855,451)</u>
Debt service	<u>(1,475,000)</u>	<u>(1,475,000)</u>	<u>-</u>

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended December 31, 2019**

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT'S TOTAL TAXABLE VALUATION,
CERTIFIED TAX RATE/MILL LEVY, AND TAXES LEVIED AND COLLECTED**

The following is a summary of Taylorsville-Bennion Improvement District's certified tax rate, and taxes levied and collected by year for a ten-year period including 2010-2019, as provided by Salt Lake County.

<u>Year</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Collection Percentage</u>
2010	0.0163%	\$ 416,546	\$ 411,881	98.88%
2011	0.0168%	425,676	411,710	96.72%
2012	0.0181%	434,038	419,730	96.70%
2013	0.0173%	434,745	423,661	97.45%
2014	0.0164%	418,411	421,664	100.78%
2015	0.0157%	438,436	420,374	95.88%
2016	0.0146%	445,687	432,341	97.01%
2017	0.0136%	448,094	437,619	97.66%
2018	0.0125%	453,381	439,788	97.00%
2019	0.0116%	458,439	447,800	97.68%

Requests for Information

This financial report is designed to provide a general overview of Taylorsville-Bennion Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the accounting office at P.O. Box 18579, Taylorsville, Utah 84118-0579.

FINANCIAL STATEMENTS

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
December 31, 2019 and 2018

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 3,997,579	\$ 6,257,598
Marketable securities	10,413,796	10,024,035
Receivables:		
Water and sewer charges	1,060,635	1,147,625
Certified liens	258,181	246,184
Impact fees	286,792	229,893
Unremitted property taxes	8,006	5,549
Prepaid expenses	140,362	87,065
Inventory	343,412	184,586
	16,508,763	18,182,535
Noncurrent assets:		
Restricted cash and cash equivalents	5,513	70,881
Capital assets:		
Land	2,588,709	2,604,804
Water rights	1,512,644	1,526,395
Buildings	5,051,599	5,051,599
Sewer systems	25,181,733	22,953,438
Water systems	54,771,945	53,454,398
Water wells	16,661,968	16,164,439
Meters and accessories	8,871,072	8,750,964
Equipment	4,782,540	4,513,742
Less accumulated depreciation	(61,667,331)	(59,288,503)
Investment in Central Valley		
Water Reclamation Facility	12,135,098	10,905,956
	69,895,490	66,708,113
Total noncurrent assets	69,895,490	66,708,113
Total assets	86,404,253	84,890,648
Deferred outflows of resources:		
Deferred outflows of resources relating to pensions	961,941	797,875
Total deferred outflows of resources	961,941	797,875
Total assets and deferred outflows of resources	\$ 87,366,194	\$ 85,688,523

The accompanying notes are an integral part of the financial statements

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION (Continued)
December 31, 2019 and 2018

	2019	2018
Current liabilities:		
Accounts payable	\$ 381,541	\$ 296,039
Workers compensation payable	-	504
Accrued interest on bonds	-	923
Payable to Central Valley Water		
Reclamation Facility	546,584	369,610
Engineering deposits	57,029	82,083
Unearned revenue	140,146	88,063
Accrued compensated absences - current portion	100,800	34,000
Accrued termination benefits - current portion	-	361,760
Bonds payable - current portion	-	1,472,999
Total current liabilities	1,226,100	2,705,981
Noncurrent liabilities:		
Accrued compensated absences	312,710	400,478
Accrued termination benefits	3,181,057	2,798,689
Net pension liability	1,525,912	954,196
Total noncurrent liabilities	5,019,679	4,153,363
Total liabilities	6,245,779	6,859,344
Deferred inflows of resources:		
Deferred inflows of resources relating to pensions	75,302	419,532
Total deferred inflows of resources	75,302	419,532
Net position:		
Net investment in capital assets	57,754,879	54,258,277
Restricted for debt service	5,513	70,881
Unrestricted	23,284,721	24,080,489
Total net position	81,045,113	78,409,647
Total liabilities, deferred inflows of resources, and net position	\$ 87,366,194	\$ 85,688,523

The accompanying notes are an integral part of the financial statements

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Water sales	\$ 8,498,618	\$ 9,279,156
Sewer service	6,061,925	5,943,401
Other	<u>353,903</u>	<u>277,456</u>
Total operating revenues	<u>14,914,446</u>	<u>15,500,013</u>
Operating expenses:		
Direct operation and maintenance - water	3,913,336	4,371,990
Direct operation and maintenance - sewer	2,526,155	2,579,624
General and administrative	3,067,037	2,472,585
Depreciation and amortization	<u>2,728,982</u>	<u>2,608,687</u>
Total operating expenses	<u>12,235,510</u>	<u>12,032,886</u>
Operating income	<u>2,678,936</u>	<u>3,467,127</u>
Nonoperating revenues (expenses)		
Property taxes	470,805	470,981
Interest income	534,158	339,672
Impact fees	587,501	213,189
Interest expense	(63,766)	(122,160)
Gain (loss) on disposal of capital assets	30,949	39,490
Net gain (loss) in equity of Central Valley		
Water Reclamation Facility	<u>(1,967,399)</u>	<u>(2,120,511)</u>
Total nonoperating revenues (expenses)	<u>(407,752)</u>	<u>(1,179,339)</u>
Income before capital contributions	<u>2,271,184</u>	<u>2,287,788</u>
Capital contributions from builders and subdividers	<u>364,282</u>	<u>459,506</u>
Change in net position	2,635,466	2,747,294
Net position, beginning	<u>78,409,647</u>	<u>75,662,353</u>
Net position, ending	<u>\$ 81,045,113</u>	<u>\$ 78,409,647</u>

The accompanying notes are an integral part of the financial statements

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 14,687,619	\$ 15,178,399
Receipts from other sources	353,903	277,456
Payments to employees for services	(3,947,054)	(4,414,674)
Payment to suppliers of goods and services	(5,471,619)	(5,380,479)
Net cash provided by operating activities	5,622,849	5,660,702
Cash flows from noncapital financing activities:		
Cash received from property taxes	468,348	479,783
Net cash provided by noncapital financing activities	468,348	479,783
Cash flows from capital and related financing activities:		
Proceeds from sale of fixed assets	52,204	45,990
Acquisition and construction of capital assets	(4,567,012)	(2,202,037)
Impact fees	530,602	245,861
Principal paid on capital debt	(1,475,000)	(1,440,000)
Interest paid on capital debt	(62,688)	(122,950)
Net investment in Central Valley Water Reclamation Facility	(3,196,541)	(2,860,525)
Net cash provided by capital and related financing activities	(8,718,435)	(6,333,661)
Cash flows from investing activities:		
Interest income on investments	405,040	339,761
Net cash received (paid) for purchase of marketable securities	(103,189)	672,100
Net cash provided by investment activities	301,851	1,011,861
Net increase (decrease) in cash and cash equivalents	(2,325,387)	818,685
Cash and cash equivalents, beginning of year	6,328,479	5,509,794
Cash and cash equivalents, end of year	\$ 4,003,092	\$ 6,328,479
As reported on the statement of net position:		
Cash and cash equivalents	\$ 3,997,579	\$ 6,257,598
Restricted cash and cash equivalents	5,513	70,881
Total cash and cash equivalents, end of year	\$ 4,003,092	\$ 6,328,479

The accompanying notes are an integral part of the financial statements

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,678,936	\$ 3,467,127
Noncash operating activities adjustment:		
Depreciation and amortization	2,728,982	2,608,687
Pension adjustment	63,420	(14,650)
Changes in assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	74,993	(19,993)
Prepaid expenses	(53,297)	(2,804)
Inventory of materials	(158,826)	(2,431)
Increase (decrease) in operating liabilities:		
Accounts payable	85,502	48,695
Unearned revenue	52,083	(24,165)
Other payables	151,416	131,899
Accrued compensated absences	(20,968)	(72,320)
Accrued termination benefits	20,608	(459,343)
Net cash provided by operating activities	\$ 5,622,849	\$ 5,660,702
Schedule of non-cash capital and related financing activities:		
Capital contributions - builders and subdividers	\$ 364,282	\$ 459,506
Gain (loss) on investment in Central Valley Water Reclamation Facility	\$ (1,967,399)	\$ (2,120,511)

The accompanying notes are an integral part of the financial statements

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Taylorsville-Bennion Improvement District (the District) consistently applied in the preparation of the accompanying financial statements follows:

The Reporting Entity

The Taylorsville-Bennion Improvement District is a political subdivision of the State of Utah organized during June 1957 for the purpose of providing sewer and water services. The District is not a component unit of another government as defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus*, since the District is a special service district governed by a board of trustees which are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units defined in GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, which are included in the District's reporting entity.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by GASB.

Financial Statement Presentation and Basis of Accounting

The District prepares its financial statements on an enterprise fund basis, which is reporting using the *economic resources measurement focus* and the *accrual basis of accounting*. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred. Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property tax revenue and contributed water and sewer lines.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Materials and supplies inventories are stated at the lower of cost (first-in, first-out) or market.

Management 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.

Capital Contributions

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital contributions are recorded as revenues.

Accounts Receivable

Accounts receivable are comprised of receivables on water sales and sewer service charges, certified liens, and impact fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any material uncollectible amounts as uncollected fees are certified to the county and attached as liens on the related real estate.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that investments be reported at fair value in the balance sheet, except for money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Such investments may be reported at amortized costs. All investment income, including changes in fair value of investments, is to be recognized in the operating statement.

Joint Venture

The District accounts for its interest in a joint venture with Central Valley Water Reclamation Facility with equity method of accounting.

Budgetary Accounting

For management and control purposes, the District adopts and maintains a budget each year. Budgets are prepared on the accrual basis of accounting, with the exception of sale of assets and contributions from builders and subdividers not being budgeted.

Pension Plans

The District participates in the Utah State Retirement Systems.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Accumulated unpaid sick leave is accrued each year. Employees are paid for sick leave days accrued at retirement or termination at their rate of pay at that time. These accrued days can be used for sick leave at any time. Employees can carry over unused sick leave up to 75 days. Unused days above 75 days are converted at half their normal pay rate to either vacation days or are paid out as cash. The sick leave year end is December 31. Accrued leave payable at December 31, 2019 and 2018 was \$413,510 and \$434,478, respectively. The District does not allow employees to carry over unused vacation hours.

Impact Fees

The District charges impact fees to new customers based on meter size, the number of laterals and/or the number of fixture units.

Net Position

The District's net position is classified as follows:

- *Net Investment in Capital Assets*
This component of net position consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- *Restricted for Debt Service*
This component of net position consists of net position with constraints placed on their 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*
This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

Property Taxes

Property tax rates are set in June of each year. The property taxes levied by the District are assessed and collected by Salt Lake County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30. The District's certified tax rate for 2019 was 0.000116.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost. Capital assets donated to the District are recorded at the estimated fair value at the date of donation. Contributed easements are not valued and therefore not included as capital assets. Normal maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Depreciation of property, plant, and equipment is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Sewer and water systems	50
Buildings	30
Furniture and fixtures	8
Automotive equipment	5
Other equipment	3-8
Fence enclosures and landscaping	20
Water wells	25
Telemetry system	8
Wells mechanical	10

Investments in surface water resources represent investments in water stock and are stated at cost.

Bond Discounts and Bond Premiums

Bond discounts and premiums are deferred and amortized over the term of the related bonds. Bond discounts and premiums are presented as a reduction or addition to the face amount of bonds payable.

Water and Sewer Sales Revenue

Revenue from water and sewer service charges is recorded based on monthly usage at the stated retail rates. Water and sewer usage are measured by flow meters located throughout the system.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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 and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report 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 and will not be recognized as an inflow of resources (revenue) until that time.

Subsequent Events

The District evaluated all events or transactions that occurred after December 31, 2019 through April 13, 2020, the date these financial statements were available to be issued. During this period, the District did not have any material recognizable subsequent events.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 CASH & CASH EQUIVALENTS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measure 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 (the Act) (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a qualified depository. The Act defines qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories; negotiable certificates of deposits must be equal to, or less than, 97% of the FDIC limit. The purchase price of the negotiable deposit must be equal to or less than par; repurchase and reverse repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government-sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed-rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. 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 of the PTIF, net of administration fees, 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.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 CASH & CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and cash equivalents consisted of the following amounts:

	<u>2019</u>	<u>2018</u>
Unrestricted:		
Cash on hand	\$ 1,000	\$ 1,000
Cash on deposit - demand	603,417	1,291,146
Utah Public Treasurer's Investment Fund	<u>3,393,162</u>	<u>4,965,452</u>
Total unrestricted cash and cash equivalents	<u>3,997,579</u>	<u>6,257,598</u>
Restricted:		
Debt service account - 2010B bond	<u>5,513</u>	<u>70,881</u>
Total restricted cash and cash equivalents	<u>5,513</u>	<u>70,881</u>
Total cash and cash equivalents	<u>\$ 4,003,092</u>	<u>\$ 6,328,479</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council (the Council). As of December 31, 2019 and 2018, the District's cash deposits exceeded National Credit Union Administration (NCUA) federally insured amounts by \$378,612 and \$855,456, respectively.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regular 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, 2019 and 2018, the District had funds of \$3,393,162 and \$4,965,452, respectively, with the PTIF. The entire balance had a maturity of less than three months. The PTIF pool has not been rated.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 CASH & CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Average Rating	Agency	CD	Corporate	Currency	Money		Totals
					Market Fund	PTIF	
AAA	\$ 2,557,474	\$ -	\$ -	\$ 240	\$ 92,087	\$ -	\$ 2,649,801
AA+	-	232,687	-	-	-	-	232,687
AA	-	-	300,830	-	-	-	300,830
AA-	-	-	476,793	-	-	-	476,793
A+	-	387,346	2,010,265	-	-	-	2,397,611
A	-	-	2,093,376	-	-	-	2,093,376
A-	-	-	276,045	-	-	-	276,045
A-1+	-	870,967	-	-	-	-	870,967
A-2	-	242,096	-	-	-	-	242,096
Unrated	-	873,590	-	-	-	3,407,253	4,280,843
Totals	\$ 2,557,474	\$ 2,606,686	\$ 5,157,309	\$ 240	\$ 92,087	\$ 3,407,253	\$ 13,821,049

Fair Value of Investments

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

- *Level 1:* Valuations based on quoted prices in active markets for identical assets or liabilities that the District can access. Since valuations are based on quoted prices that are readily and regularly available in an active market, the valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.;
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include corporate and municipal bonds, and “brokered” or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

On December 31, 2019, the District had the following recurring fair value measurements.

Security Type Category	Level 1	Level 2	Level 3	Total
Marketable securities				
Agency	\$ 2,557,474	\$ -	\$ -	\$ 2,557,474
CD	-	2,606,686	-	2,606,686
Corporate	-	5,157,309	-	5,157,309
Currency	240	-	-	240
Money market fund	92,087	-	-	92,087
Total marketable securities	2,649,801	7,763,995	-	10,413,796
Public treasurer's investment fund	-	3,407,253	-	3,407,253
Totals	\$ 2,649,801	\$ 11,171,248	\$ -	\$ 13,821,049

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 CASH & CASH EQUIVALENTS AND INVESTMENTS (Continued)

For securities that generally have market prices from multiple sources, it can be difficult to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a “consensus price” or a weighted average price for each security. The District receives market prices for these securities from a variety of industry-standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. Through the help of an investment advisor, the District uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

- U.S. Treasuries, Money Markets, U.S. Agencies: quoted prices for identical securities in markets that are active;

Debt securities classified in Level 2 are valued using the following approaches

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities’ relationship to benchmark quoted prices;
- Bond Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers’ Investment Fund: application of the December 31, 2019, fair value factor, as calculated by the Utah State Treasurer, to the District’s average daily balance in the Fund; and,
- Donated Real Estate: recent appraisals of the real estate’s value.

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 Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. 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 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury, obligations issued by U.S. government-sponsored enterprises, and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. Also, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 CASH & CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Type of Investment	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	More than 5
Marketable securities				
Agency	\$ 2,557,474	\$ 1,027,080	\$ 1,530,394	\$ -
CD	2,606,686	-	2,606,686	-
Corporate	5,157,309	3,452,769	1,704,540	-
Currency	240	240		
Money market fund	92,087	92,087	-	-
Total marketable securities	10,413,796	4,572,176	5,841,620	-
Public treasurer's investment fund	3,407,253	-	-	-
Totals	\$ 13,821,049	\$ 4,572,176	\$ 5,841,620	\$ -

NOTE 3 NET POSITION

Net position is restricted by provisions of the bond resolutions adopted by the District (Note 6) as follows:

Amounts restricted for Revenue Bond Debt Service

On March 9, 2010, the District issued Water and Sewer Revenue Bonds, Series 2010A and 2010B. The bond covenants require the District to maintain in a debt service account an amount not less than the debt service reserve requirement outlined in the bond issuance documents.

Use of Restricted Assets

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

Restricted net position are as follows as of December 31:

	2019	2018
Debt service account - 2010B bond	\$ 5,513	\$ 70,881
Total restricted net position	<u>\$ 5,513</u>	<u>\$ 70,881</u>

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 and 2018 is as follows:

	December 31, 2018	Additions	Deletions	December 31, 2019
Capital assets not being depreciated:				
Land	\$ 2,604,804	\$ -	\$ (16,095)	\$ 2,588,709
Water rights	1,526,395	15,987	(29,738)	1,512,644
Construction in process	-			-
Total capital assets not being depreciated	<u>4,131,199</u>	<u>15,987</u>	<u>(45,833)</u>	<u>4,101,353</u>
Capital assets being depreciated:				
Buildings	5,051,599	-	-	5,051,599
Sewer systems	22,953,438	2,239,188	(10,893)	25,181,733
Water systems	53,454,398	1,454,203	(136,656)	54,771,945
Water wells	16,164,439	497,529	-	16,661,968
Meters and accessories	8,750,964	120,108	-	8,871,072
Equipment	4,513,742	620,266	(351,468)	4,782,540
Total capital assets being depreciated	<u>110,888,580</u>	<u>4,931,294</u>	<u>(499,017)</u>	<u>115,320,857</u>
Accumulated depreciation for:				
Buildings	(2,912,605)	(121,124)	-	(3,033,729)
Sewer systems	(10,990,461)	(428,883)	327	(11,419,017)
Water systems	(26,038,614)	(1,061,343)	5,518	(27,094,439)
Water wells	(7,349,218)	(560,408)	-	(7,909,626)
Meters and accessories	(8,130,869)	(252,421)	-	(8,383,290)
Equipment	(3,866,736)	(304,803)	344,309	(3,827,230)
Total accumulated depreciation	<u>(59,288,503)</u>	<u>(2,728,982)</u>	<u>350,154</u>	<u>(61,667,331)</u>
Total capital assets being depreciated, net	<u>51,600,077</u>	<u>2,202,312</u>	<u>(148,863)</u>	<u>53,653,526</u>
Capital assets, net	<u>\$ 55,731,276</u>	<u>\$ 2,218,299</u>	<u>\$ (194,696)</u>	<u>\$ 57,754,879</u>

	December 31, 2017	Additions	Deletions	December 31, 2018
Capital assets not being depreciated:				
Land	\$ 2,571,407	\$ 39,897	\$ (6,500)	\$ 2,604,804
Water rights	1,518,585	7,810	-	1,526,395
Construction in process	-			-
Total capital assets not being depreciated	<u>4,089,992</u>	<u>47,707</u>	<u>(6,500)</u>	<u>4,131,199</u>
Capital assets being depreciated:				
Buildings	5,047,144	4,455	-	5,051,599
Sewer systems	22,096,861	856,577	-	22,953,438
Water systems	52,914,616	539,782	-	53,454,398
Water wells	15,149,789	1,014,650	-	16,164,439
Meters and accessories	8,687,244	63,720	-	8,750,964
Equipment	4,444,085	137,787	(68,130)	4,513,742
Total capital assets being depreciated	<u>108,339,739</u>	<u>2,616,971</u>	<u>(68,130)</u>	<u>110,888,580</u>
Accumulated depreciation for:				
Buildings	(2,793,766)	(118,839)	-	(2,912,605)
Sewer systems	(10,576,332)	(414,129)	-	(10,990,461)
Water systems	(24,983,358)	(1,055,256)	-	(26,038,614)
Water wells	(6,858,819)	(490,399)	-	(7,349,218)
Meters and accessories	(7,864,741)	(266,128)	-	(8,130,869)
Equipment	(3,670,931)	(263,935)	68,130	(3,866,736)
Total accumulated depreciation	<u>(56,747,947)</u>	<u>(2,608,686)</u>	<u>68,130</u>	<u>(59,288,503)</u>
Total capital assets being depreciated, net	<u>51,591,792</u>	<u>8,285</u>	<u>-</u>	<u>51,600,077</u>
Capital assets, net	<u>\$ 55,681,784</u>	<u>\$ 55,992</u>	<u>\$ (6,500)</u>	<u>\$ 55,731,276</u>

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5 CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized to construct and operate a regional sewage treatment facility, known as Central Valley Water Reclamation Facility (CVWRF), for the benefit of the seven members. Effective January 1, 2017, CVWRF implemented amendments to the interlocal agreement regarding ownership. The amendments define Post-2016 beneficial ownership and each member's undivided beneficial ownership interest in CVWRF as a percentage of the net value of all ownership categories of CVWRF as of the most recent annual audit report. The Post-2016 beneficial ownership and valuation of each members undivided beneficial ownership interest will then be recomputed on an annual basis at the end of each calendar year as outlined in the interlocal agreement. The seven members and their related ownership interest, as amended, are listed below:

<u>Member</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Ownership</u>		<u>Ownership</u>	
Cottonwood Improvement District	\$ 19,077,151	17.67%	\$ 16,311,844	17.32%
Mt. Olympus Improvement District	25,565,756	23.68%	22,697,197	24.10%
Granger-Hunter Improvement District	24,324,177	22.53%	21,096,150	22.40%
Kearns Improvement District	11,336,168	10.50%	9,898,238	10.51%
Murray City	9,371,232	8.68%	8,071,161	8.57%
South Salt Lake City	6,153,920	5.70%	5,198,694	5.52%
Talyorsville-Bennion Improvement District	12,135,098	11.24%	10,905,956	11.58%
Totals	<u>\$ 107,963,502</u>	<u>100.00%</u>	<u>\$ 94,179,240</u>	<u>100.00%</u>

CVWRF is administered by a joint administration board. Each member appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to the approval by each of the seven members.

The District accounts for its investment in CVWRF using the equity method of accounting. Summarized financial information of CVWRF as of December 31, 2019 and 2018 and for the years then ended is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 188,190,620</u>	<u>\$ 134,832,508</u>
Net position:		
Net investment in capital assets	\$ 101,766,087	\$ 90,378,909
Restricted for debt service	3,032,733	1,830,033
Unrestricted	<u>3,164,682</u>	<u>1,970,298</u>
Total net position	<u>\$ 107,963,502</u>	<u>\$ 94,179,240</u>
Operating revenues	<u>\$ 18,776,614</u>	<u>\$ 18,230,389</u>
Change in net position	<u>\$ 13,784,262</u>	<u>\$ 9,533,592</u>

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

	2019	2018
The District's interest in:		
Net position	\$ 12,135,098	\$ 10,905,956
Income (loss) from operations	\$ (561,417)	\$ (794,408)

Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

The District incurred the following costs from the joint venture for the years ended December 31, 2019 and 2018:

	2019	2018
Operating costs	\$ 1,740,292	\$ 1,715,335
Project costs	3,196,541	2,860,525
Total	\$ 4,936,833	\$ 4,575,860

At December 31, 2019 and 2018, the District had a balance due to CVWRF of \$546,584 and \$369,610, respectively.

NOTE 6 RETIREMENT PLANS

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The 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.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage 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 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.

Contribution Rate Summary

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 employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contribution rates as of December 31, 2019 were as follows:

As of December 31, 2019	Employee	Employer	Employer 401(k)
Contributory System			
111 Local Government Div - Tier 2	N/A	15.66%	1.03%
Noncontributory System			
15 Local Government Div - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

Contribution rates as of December 31, 2018 were as follows:

As of December 31, 2018	Employee	Employer	Employer 401(k)
Contributory System			
111 Local Government Div - Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 Local Government Div - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal years ended December 31, 2019 and 2018, the employer and employee contributions to the Systems were as follows:

System	2019		2018	
	Employer Contributions	Employee Contributions	Employer Contributions	Employee Contributions
Noncontributory System	\$ 314,157	N/A	\$ 328,900	N/A
Tier 2 Public Employees System	78,862	-	70,834	-
Tier 2 DC Only System	131	N/A	-	N/A
Total Contributions	\$ 393,150	\$ -	\$ 399,734	\$ -

Combined Pension Assets, Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019 and 2018 we reported the following net pension asset and net pension liability amounts.

	(Measurement Date): December 31, 2018			December 31, 2017	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	
Noncontributory System	\$ -	\$ 1,508,968	0.2049192%	0.2171544%	(0.0122352%)
Tier 2 Public Employees System	\$ -	\$ 16,944	0.0395628%	0.0315080%	0.0080548%
Total	\$ -	\$ 1,525,912			

	(Measurement Date): December 31, 2017			December 31, 2016	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	
Noncontributory System	\$ -	\$ 951,418	0.2171544%	0.2091700%	0.0079844%
Tier 2 Public Employees System	-	2,778	0.0315080%	0.0231123%	0.0083957%
Total	\$ -	\$ 954,196			

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

The net pension asset and liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the years ended December 31, 2019 and 2018 we recognized pension expense of \$455,821 and \$190,972, respectively.

At December 31, 2019 and 2018 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

<u>December 31, 2019</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,526	\$ 31,646
Changes in assumptions	206,391	304
Net difference between projected and actual earnings on pension plan investments	319,518	-
Changes in proportion and differences between contri- butions and proportionate share of contributions	23,356	43,352
Contributions subsequent to the measurement date	<u>393,150</u>	<u>-</u>
	<u>\$ 961,941</u>	<u>\$ 75,302</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>December 31, 2018</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21,327	\$ 60,827
Changes in assumptions	345,484	22,510
Net difference between projected and actual earnings on pension plan investments	-	336,195
Changes in proportion and differences between contri- butions and proportionate share of contributions	31,330	-
Contributions subsequent to the measurement date	<u>399,734</u>	<u>-</u>
	<u>\$ 797,875</u>	<u>\$ 419,532</u>

\$393,150 reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

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:

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 220,926
2020	86,306
2021	30,537
2022	151,503
2023	537
Thereafter	3,680

Actuarial Assumptions

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

Inflation	2.50%
Salary Increase	3.25 – 9.75%, average, including inflation
Investment Rate of Return	6.95%, net of pension plan investment expense, including inflation

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

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

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

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

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

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

Discount Rate

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

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

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 3,092,571	\$ 1,508,968	\$ 190,246
Tier 2 Public Employees System	67,881	16,944	(22,366)
Total	\$ 3,160,452	\$ 1,525,912	\$ 167,880

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 6 RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

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

The District participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

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

	2019	2018	2017
401(k) Plan			
Employer Contributions	\$ 65,667	\$ 134,949	\$ 93,488
Employee Contributions	38,385	85,207	51,014
457 Plan			
Employer Contributions	\$ 4,542	\$ -	\$ -
Employee Contributions	27,160	74,125	-
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 11,360	\$ 8,880	\$ 12,130
Traditional IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ 6,495	\$ -

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018**

NOTE 7 TERMINATION BENEFITS

Retirement Benefit – Purchase of Future Service Years

The District participates in a retirement benefit program where they share in the purchase of future service years upon retirement for employees who meet the retirement eligibility requirements of the Utah Retirement System with not actuarial reduction. The District will purchase between 65% and 95% of future service years based on an employee’s years of service at retirement, determined from a table found in the District’s Personnel Policy Handbook (Handbook). Based on the calculations obtained using the Utah Retirement System’s Service Purchase Estimate Calculator, the specified employer share from the table in the Handbook and the likelihood that an employee will meet the retirement eligibility requirements of the Utah Retirement System with no actuarial reduction, as estimated by management, the District has estimated the retirement buyout liability as of December 31, 2019 and 2018 to be \$2,116,659 and \$2,060,711, respectively.

Early Retirement Incentive Pay Policy

The District will pay employees with over 20 years of service to the District an early retirement incentive given that the employee 1) gives the District at least 6 months-notice of retirement; or, 2) have suffered a catastrophic illness or injury preventing them from returning to work; or, 3) the General Manager, in his sole discretion for either health or other significant reasons, decides less than 6 months-notice could be given. Employees electing to retire early under this policy will receive up to a full year’s salary paid on the next pay day following retirement according to the following scale:

- Completed 20 years of full time service but less than 21, 50% of salary
- Completed 21 years of full time service but less than 22, 60% of salary
- Completed 22 years of full time service but less than 23, 70% of salary
- Completed 23 years of full time service but less than 24, 80% of salary
- Completed 24 years of full time service but less than 25, 90% of salary
- Completed 25 years or more of full time service, 100% of salary

The District has estimated the early retirement incentive liability for December 31, 2019 and 2018 to be \$1,064,398 and \$1,099,738, respectively.

NOTE 8 LONG-TERM LIABILITIES

Long-term liability activity as of and for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2018	Additions	Deletions	December 31, 2019	Due Within One Year
Accrued termination benefits	\$ 3,160,449	\$ 219,601	\$ (198,993)	\$ 3,181,057	\$ -
Accrued compensated absences	434,478	95,572	(116,540)	413,510	100,800
Water and sewer revenue bond, series 2010B	1,475,000	-	(1,475,000)	-	-
Discount on revenue bond payable	(2,001)	-	2,001	-	-
Net pension liability	954,196	571,716	-	1,525,912	-
Total	<u>\$ 6,022,122</u>	<u>\$ 886,889</u>	<u>\$ (1,788,532)</u>	<u>\$ 5,120,479</u>	<u>\$ 100,800</u>

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 8 LONG-TERM LIABILITIES (Continued)

	December 31, 2017	Additions	Deletions	December 31, 2018	Due Within One Year
Accrued termination benefits	\$ 3,619,792	\$ 309,406	\$ (768,749)	\$ 3,160,449	\$ 361,760
Accrued compensated absences	506,798	61,366	(133,686)	434,478	34,000
Water and sewer revenue bond, series 2010B	2,915,000		(1,440,000)	1,475,000	1,475,000
Discount on revenue bond payable	(5,137)		3,136	(2,001)	-
Net pension liability	1,345,705	-	(391,509)	954,196	-
Total	<u>\$ 8,382,158</u>	<u>\$ 370,772</u>	<u>\$ (2,730,808)</u>	<u>\$ 6,022,122</u>	<u>\$ 1,870,760</u>

Water and Sewer Revenue Bonds, Series 2010B

During 2010, the District issued Water and Sewer Revenue Bonds to finance a portion of the cost of the construction and improvements of various projects to improve and expand the District's water and sewer system. The District's obligation related to the bonds as of December 31, 2019 and 2018 is \$0 and \$1,475,000, respectively. The bond is shown on the statements of net position on December 31, 2019 and 2018 net of discounts of \$0 and \$2,001, respectively. The Series 2010B bond was paid in full during the year ended December 31, 2019.

NOTE 9 BOARD DESIGNATED RESERVES

The Board has designated \$4,100,000 for emergencies and unforeseeable expenses, \$2,500,000 for construction of future projects, and \$2,000,000 for retirement benefits. Water sources continue to undergo more restrictions and lower maximum contaminant levels (MCL's) every year, which may result in additional levels of water treatment. Also, much of the District's infrastructure reservoirs, water wells, water lines, and sewer lines is reaching their projected life expectancy. This infrastructure will need to be replaced as required.

SUPPLEMENTAL INFORMATION

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
SCHEDULE OF BUDGET TO ACTUAL COMPARISON
For the Year Ended December 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Water sales	\$ 9,220,000	\$ 8,498,618	\$ (721,382)
Sewer service	6,091,000	6,061,925	(29,075)
Property taxes	477,694	470,805	(6,889)
Impact fees	458,127	587,501	129,374
Interest income	320,600	534,158	213,558
Capital contributions from builders and subdividers*	-	364,282	364,282
Gain on disposal of capital assets*	-	30,949	30,949
Other	218,500	353,903	135,403
Total revenues	<u>16,785,921</u>	<u>16,902,141</u>	<u>116,220</u>
Expenses:			
Depreciation and amortization	2,744,584	2,728,982	15,602
Water purchases	1,875,000	1,590,033	284,967
Salaries and wages	2,256,688	2,181,966	74,722
Employee benefits	1,500,700	1,827,644	(326,944)
Central Valley Water Reclamation Facility expenses	2,071,865	1,740,292	331,573
Utilities	768,995	677,366	91,629
Net loss (gain) in equity of Central Valley Water			
Reclamation Facility	527,916	1,967,399	(1,439,483)
Interest expense	65,257	63,766	1,491
System maintenance and landscaping	974,800	543,840	430,960
Office expenses	552,100	692,634	(140,534)
Insurance	100,000	100,252	(252)
Professional fees	182,700	71,844	110,856
Gas and oil	64,000	41,965	22,035
Miscellaneous	135,500	38,692	96,808
Total expenses	<u>13,820,105</u>	<u>14,266,675</u>	<u>(446,570)</u>
Excess revenues over expenses	<u>2,965,816</u>	<u>2,635,466</u>	<u>562,790</u>
Capital Projects	<u>(9,606,578)</u>	<u>(7,751,127)</u>	<u>(1,855,451)</u>
Debt Service	<u>(1,475,000)</u>	<u>(1,475,000)</u>	<u>-</u>

***Note:** These items do not have a corresponding budget figure. They are included above in order to balance the "Excess revenues over expenses" in the "Actual" column to the Change in Net Position as shown on the Statements of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2019.

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
SCHEDULE OF INSURANCE COVERAGE
For the Year Ended December 31, 2019**

<u>Carrier</u>	<u>Policy Number</u>	<u>Insurance Coverage</u>	<u>Amount</u>	<u>Term</u>
Philadelphia Indemnity Insurance Co.	PHPK2070282	Public Official Bond	\$ 1,000,000	1/1/2021
		Commercial Package:		
		Building	10,194,815	
		Equipment	7,438,256	
		Contents	475,000	
		Data Processing Equipment	350,000	
		Inland Marine	329,840	
		Flood	10,000,000	
		Earthquake	10,000,000	
		General Liability:		
		Each Occurrence	1,000,000	
		Damage to Premises Rented to You	1,000,000	
		Personal and Advertising Injury	1,000,000	
		General Aggregate	3,000,000	
		Medical expense	10,000	
		Employee Benefits Liability Per Person	1,000,000	
		Employee Benefits Liability Aggregate	3,000,000	
		Professional Liability Per Claim	1,000,000	
		Professional Liability Aggregate	3,000,000	
		Employment Practices Liability Per Claim	1,000,000	
		Employment Practices Liability Aggregate	3,000,000	
		Commercial Auto:		
		Liability	1,000,000	
		Uninsured Motorists	1,000,000	
		Underinsured Motorists	1,000,000	
Travelers	107187262	Crime:		1/1/2021
		Employee Dishonesty	1,000,000	
		Forgery or Alteration	1,000,000	
		Theft Disappearance & Destruction Inside/Outside	1,000,000	
		Computer Fraud/Funds Transfer Fraud	1,000,000	
Philadelphia Indemnity Insurance Co.	PHUB703126	Commercial Excess Liability 1	10,000,000	1/1/2021
Markel	MKLM5EUE100630	Commercial Excess Liability 2	10,000,000	1/1/2021
Workers Compensation Fund	1554371	Workers Compensation	500,000	1/1/2021

REQUIRED SUPPLEMENTARY INFORMATION

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
December 31, 2019**

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered Payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory Retirement System					
2018	0.2049192%	\$ 1,508,968	\$ 1,776,660	84.93%	87.00%
2017	0.2171544%	951,419	1,905,210	49.94%	91.90%
2016	0.2091700%	1,343,127	1,865,456	72.00%	87.30%
2015	0.2083086%	1,178,711	1,810,177	65.12%	87.80%
2014	0.2054688%	892,194	1,773,905	50.30%	90.20%
Tier 2 Public Employees Retirement System					
2018	0.0395628%	\$ 16,944	\$ 461,822	3.67%	90.80%
2017	0.0315080%	2,778	308,247	0.90%	97.40%
2016	0.0231123%	2,578	189,536	1.36%	95.10%
2015	0.0195960%	(43)	126,661	(0.03%)	100.20%
2014	0.0189049%	(573)	92,818	(0.62%)	103.50%

** In accordance with paragraph 81.a of GASB 68, employers are required 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 from the implementation date of GASB 68.*

**TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*
December 31, 2019**

	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory Retirement System					
2019	\$ 314,157	\$ 314,157	\$ -	\$ 1,906,154	16.48%
2018	328,900	328,900	-	2,146,824	15.32%
2017	361,174	361,174	-	1,955,463	18.47%
2016	344,550	344,550	-	1,913,203	18.01%
2015	334,340	334,340	-	1,810,177	18.47%
2014	317,403	317,403	-	1,778,732	17.84%
Tier 2 Public Employees Retirement System**					
2019	\$ 78,862	\$ 78,862	\$ -	\$ 505,541	15.60%
2018	70,834	70,834	-	467,388	15.16%
2017	46,272	46,272	-	308,247	15.01%
2016	28,261	28,261	-	189,536	14.91%
2015	18,895	18,895	-	126,611	14.92%
2014	13,488	13,488	-	92,818	14.53%
Tier 2 Public Employees DC Only System**					
2019	\$ 131	\$ 131	\$ -	\$ 1,958	6.69%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2015	-	-	-	-	0.00%
2014	-	-	-	-	0.00%

* In accordance with paragraph 81.b of GASB 68, employers are required to disclose a 10-year history of contributions in their RSI. The 10-year schedule will be built prospectively from the implementation date of GASB 68. Contributions as a percentage of covered payroll may be different than the certified board rate due to rounding and other administrative practices.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

TAYLORSVILLE-BENNION IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2019

NOTE 1 CHANGES IN ASSUMPTION

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



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

To the Chairman and Board of Trustees
Taylorsville-Bennion Improvement 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 Taylorsville-Bennion Improvement District (the District), as of and for the year ended December 31, 2019, 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 13, 2020.

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

Purpose of this Report

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City Utah
April 13, 2020



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

To the Chairman and Board of Trustees
Taylorsville-Bennion Improvement District

Report on Compliance

We have audited Taylorsville-Bennion Improvement District's (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2019.

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

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

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, Taylorsville-Bennion Improvement District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2019.

Report On Internal Control Over Compliance

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

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

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
April 13, 2020