

Big Plains Water Special Service District

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

Big Plains Water Special Service District

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June 30, 2023

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Independent Auditors' Report

Board and Management
Of Big Plains Water Special Service District
Town of Apple Valley, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the aggregate remaining fund information of Big Plains Water Special Service District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2023, the District implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements,

management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to pensions and other postemployment benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the Big Plains Water Special Service District's disclosures required by bond covenant but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2024 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 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.

HintonBurdick, PLLC

January 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Big Plains Water Special Service District
Management's Discussion and Analysis
June 30, 2023

As management of Big Plains Water Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- *Total net position for the District increased by \$215,787
- *Total unrestricted net position for the District increased by \$154,592
- *Operating revenues increased by \$87,355
- *Operating expenses increased by \$164,310

BASIC FINANCIAL STATEMENTS

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for the operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Big Plains Water Special Service District
Management's Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS

Big Plains Water Special Service District's Net Position

	Current Year	Restated Previous Year	Change
Current and other assets	\$ 380,127	580,825	(200,698)
Non-current assets	6,932,961	6,850,521	82,440
Deferred outflows of resources	14,407	14,497	(90)
Total assets and deferred outflows	<u>7,327,495</u>	<u>7,445,843</u>	<u>(118,348)</u>
Other liabilities	80,043	231,530	(151,487)
Long-term liabilities outstanding	4,531,358	4,672,310	(140,952)
Deferred inflows of resources	577	42,273	(41,696)
Total liabilities and deferred inflows	<u>4,611,978</u>	<u>4,946,113</u>	<u>(334,135)</u>
Net position:			
Net investment in capital assets	2,401,603	2,178,211	223,392
Restricted	301,816	464,013	(162,197)
Unrestricted	12,098	(142,494)	154,592
Total net position	<u>\$ 2,715,517</u>	<u>2,499,730</u>	<u>215,787</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$2,715,517, an increase of \$215,787 from the previous year after a prior period adjustments of \$1,011,758. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position deficit at the end of the year is \$12,098, which represents an increase of \$154,592 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Big Plains Water Special Service District
Management's Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS (continued)

Big Plains Water Special Service District's Change in Net Position

	Current Year	Previous Year	Change
Operating income:			
Service income	\$ 375,536	410,170	(34,634)
Connection fees	6,630	5,173	1,457
Other operating income	127,988	7,456	120,532
Total operating income	510,154	422,799	87,355
Operating expenses:			
Wages	59,702	53,565	6,137
Benefits	16,863	22,257	(5,394)
Utilities	19,975	22,779	(2,804)
Repair and maintenance	116,429	24,109	92,320
Professional services	63,327	2,779	60,548
Other supplies and expenses	10,498	8,235	2,263
Insurance expense	10,699	2,890	7,809
Depreciation expense	138,494	135,064	3,430
Total operating expense	435,988	271,679	164,310
Net operating income (loss)	74,166	151,120	(76,955)
Non-operating income (expense):			
Impact fees	34,894	135,976	(101,082)
Grants	207,974	-	207,974
Interest income	8,087	726	7,361
Legal fee expenses	(19,918)	(3,060)	(16,858)
Interest on long-term debt	(89,416)	(107,887)	18,471
Total non-operating income (expense)	141,622	25,755	115,867
Change in net position	\$ 215,787	176,875	38,911

Service income decreased by \$34,634. Connection fees increased by \$1,457. Other operating income increased by \$120,532.

Depreciation expense is the largest single element of operating costs and exceeded the previous year amount by \$3,430. The largest single increase in operating expenses was for repair and maintenance in the amount of \$92,320. Expenses for professional services increased by \$60,548 during the year.

Impact fees decreased by \$101,082 and grants increased by \$207,974.

Big Plains Water Special Service District
Management's Discussion and Analysis
 June 30, 2023

BUDGETARY HIGHLIGHTS

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	Original	Amended	Actual
Revenues	\$ 1,699,690	859,600	761,110
Expenses	455,580	549,774	545,322
Net income	\$ 1,244,110	309,826	215,787

CAPITAL ASSETS AND DEBT ADMINISTRATION

Big Plains Water Special Service District's Capital Assets

	Current Year	Previous Year	Change
Net Capital Assets:			
Land	\$ 21,507	21,507	-
Water rights	1,996,483	996,483	1,000,000
Machinery and equipment	42,132	42,132	-
Water systems	5,967,686	5,251,675	716,011
Construction in progress	34,053	529,129	(495,076)
 Total	 8,061,860	 6,840,926	 1,220,935
 Less accumulated depreciation	 (1,128,899)	 (990,405)	 (138,494)
 Net Capital Assets	 \$ 6,932,961	 5,850,521	 1,082,440

The total amount of net capital assets of \$6,932,961 is an increase of \$1,082,440 from the previous year.

The increase in net capital assets represents the amount that investment in new capital assets exceeded depreciation charged on capital assets during the year.

Additional information regarding capital assets may be found in the notes to financial statements.

Big Plains Water Special Service District
Management's Discussion and Analysis
 June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Big Plains Water Special Service District's Outstanding Debt

	Current Year	Previous Year	Change
Business-type activities:			
2018 Water Bond Series A	\$ 68,000	72,000	(4,000)
2012 Water Project	1,775,000	1,860,000	(85,000)
2018 Water Bond Series B	306,000	317,000	(11,000)
2015 Water Bond 02	270,728	275,033	(4,305)
2015 Water Bond 01	2,111,630	2,148,276	(36,646)
Total business-type	4,531,358	4,672,310	(140,952)
Total outstanding debt	\$ 4,531,358	4,672,310	(140,952)

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the District are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Big Plains Water Special Service District, 1777 N. Meadowlark Dr, Apple Valley, UT 84737.

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BASIC FINANCIAL STATEMENTS

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Big Plains Water Special Service District
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2023

	Utility Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 6,017
Due from other governments	72,294
Total current assets	78,311
Non-current assets:	
Restricted cash and cash equivalents	301,816
Capital assets:	
Not being depreciated	2,052,043
Net of accumulated depreciation	4,880,918
Total non-current assets	7,234,777
Total assets	7,313,088
Deferred outflows of resources - pensions	14,407
Total assets and deferred outflows of resources	\$ 7,327,495
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 26,007
Accrued liabilities	1,515
Customer deposits	15,800
Unearned revenue	18,680
Compensated absences	4,508
Accrued interest payable	4,830
Revenue bonds, current portion	142,430
Total current liabilities	213,771
Non-current liabilities:	
Net pension liability	8,702
Revenue bonds, long-term	4,388,928
Total non-current liabilities	4,397,630
Total liabilities	4,611,401
Deferred inflows of resources - pensions	577
Total liabilities and deferred inflows of resources	4,611,978
NET POSITION:	
Net investment in capital assets	2,401,603
Restricted	301,816
Unrestricted	12,098
Total net position	2,715,517
Total liabilities, deferred inflows of resources, and net position	\$ 7,327,495

The notes to the financial statements are an integral part of this statement.

Big Plains Water Special Service District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2023

	Utility Fund
Operating income:	
Charges for sales and service	\$ 375,536
Connection fees	6,630
Other operating income	127,988
Total operating income	510,154
Operating expenses:	
Wages	59,702
Benefits	16,863
Utilities	19,975
Repair and maintenance	116,429
Professional services	63,327
Other supplies and expenses	10,498
Insurance expense	10,699
Depreciation expense	138,494
Total operating expense	435,988
Net operating income (loss)	74,166
Non-operating income (expense):	
Impact fees	34,894
Interest income	8,087
Operating grants	207,974
Legal fee expenses	(19,918)
Interest on long-term debt	(89,416)
Total non-operating income (expense)	141,622
Change in net position	215,787
Net position - beginning	1,487,972
Prior period adjustments (See Note 4-D)	1,011,758
Net position - ending	\$ 2,715,517

The notes to the financial statements are an integral part of this statement.

Big Plains Water Special Service District
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 510,154
Cash paid to suppliers	(206,946)
Cash paid to employees	(78,768)
Change in accounts receivable	15,865
Net cash provided (used) in operating activities	240,305
 Cash flows from capital and related financing activities:	
Cash received from impact fees	34,894
Cash received from operating grants	226,654
Cash payments for capital assets	(220,935)
Cash payments for legal fees	(19,918)
Cash payments for long-term debt principal	(140,952)
Cash payments for long-term debt interest	(88,698)
Net cash provided (used) in capital and related financing activities	(208,954)
 Cash flows from investing activities:	
Cash received from interest earned	8,087
Net cash provided (used) in investing activities	8,087
 Net increase (decrease) in cash	39,438
Cash balance - beginning	268,394
Cash balance - ending	\$ 307,833
 Cash reported on the statement of net position:	
Cash and cash equivalents	\$ 6,017
Non-current restricted cash	301,816
Total cash and cash equivalents	\$ 307,833

(The Statement of Cash Flows continues on the following page)

Big Plains Water Special Service District
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2023

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	<u>Utility Fund</u>
Net operating income (expense)	\$ 74,166
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	138,494
Net pension expense/employer pension contribution	(2,202)
Changes in assets and liabilities:	
(Increase) decrease in receivables	15,865
Increase (decrease) in accounts payable	16,763
Increase (decrease) in payroll liabilities	(2,781)
Increase (decrease) in compensated absences	<u>-</u>
Net cash provided (used) in operating activities	<u><u>\$ 240,305</u></u>

The notes to the financial statements are an integral part of this statement.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Big Plains Water Special Service District (the District), a special service district located in Washington County, Utah, was organized for the purpose of providing culinary water service to the residents of the District. The District operates under the direction of a Board of Trustees. All trustees are appointed by the Town of Apple Valley Mayor.

The District is a component unit of the Town of Apple Valley, Utah. For fiscal years up to and including the year ended June 30, 2023, the Town has managed water billings and related collections on behalf of the District. In those same years, the District has contracted with the Town to have Town personnel provide accounting services to the District.

1-B. Financial statements

The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

1-C. Measurement focus, basis of accounting and financial statement presentation

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net position (total assets and deferred out flows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the full accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1-E-1. Deposit and Investments

Cash includes cash on hand, demand deposits with bank and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The District's policy allows for investment in fund in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

1-E-2. 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 original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than intergovernmental receivables are from customers primarily for utility services. Intergovernmental receivables are considered collectible. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the statement of net position because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net position.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

1-E-5. Inventories and Prepaid items

Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis.

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets, and are reported in the statement of net position. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure is depreciated.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (continued)

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts.

Property, plant, and equipment of the primary government, as well as the component unit, if any, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Distribution and collection system	40
Equipment	5-20

1-E-7. Long-term Obligations

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

1-E-8. Leases and Subscription-Based Information Technology Arrangements

Lessee: The District does not have any leases that fall under the new standard ASC-842. However, the District will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the statement of net position if they obtain any leases in subsequent years.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-based information technology arrangements: The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

1-E-9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pension as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The reports deferred inflows of resources related to pensions as required by GASB 68.

1-E-10. *Net position flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

1-F. Tax abatements

The District has not entered into any tax abatement agreements and the District is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the District's tax revenues.

1-G. Estimates

GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

1-H. New pronouncements

For the year ended June 30, 2023, the District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District had no SBITAs during the year ended June 30, 2023, that required reporting under GASB statement No. 96.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

A capital budget is also adopted by the board of trustees which identifies planned capital asset additions and requirements for long-term debt service principal payments, as well as the plan for financing these items.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2023, consist of the following:

	Fair Value
Demand deposits	\$ 99,208
Investments - PTIF	208,625
Total cash	\$ 307,833

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents (current)	\$ 6,017
Restricted cash and cash equivalents (non-current)	301,816
Total cash and cash equivalents	\$ 307,833

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

3-A. Deposits and investments (continued)

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The District maintains monies not immediately needed for expenditure in PTIF accounts. A copy of the financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer.

As of June 30, 2023, the District had the following investments, ratings, and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Utah Public Treasurer's Investment Fund	\$ 208,625	N/A	64.20
Total Fair Value	<u>\$ 208,625</u>		

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

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

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--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2023, the District had \$208,625 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk

The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the District are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2023, all of the District's demand deposits are covered by FDIC insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

3-A. Deposits and investments (continued)

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the District's funds are shown below:

	Utility Fund
Due from Apple Valley Town	\$ 72,294
Total receivables	\$ 72,294

As described in Note 1-A., the Town of Apple Valley is currently billing and collecting the District's service revenues. The balance that is labeled "Due from Apple Valley" represents the outstanding portion of service revenues billed but not collected as of the end of the fiscal year by the Town of Apple Valley on behalf of Big Plains Water Special Service District.

3-C. Capital assets

Capital asset activity for the business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 21,507	-	-	21,507
Water rights	996,483	1,000,000	-	1,996,483
Construction in progress	529,129	171,138	666,214	34,053
Total capital assets, not being depreciated	1,547,119	1,171,138	666,214	2,052,043
Capital assets, being depreciated:				
Distribution and collection systems	5,251,675	716,011	-	5,967,686
Equipment	42,132	-	-	42,132
Total capital assets, being depreciated	5,293,807	716,011	-	6,009,818
Less accumulated depreciation for:				
Distribution and collection systems	969,645	135,626	-	1,105,271
Equipment	20,760	2,869	-	23,629
Total accumulated depreciation	990,405	138,494	-	1,128,899
Total capital assets being depreciated, net	4,303,402	577,516	-	4,880,918
Business-type activities capital assets, net	\$ 5,850,521	1,748,654	666,214	6,932,961

Depreciation expense was charged to functions/programs of the primary government business-type activities was as follows:

Business-type activities:	
Water	\$ 138,494
Total	\$ 138,494

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

3-D. Long-term liabilities

Long-term debt activity for business-type activities was as follows:

	Original Principal	% Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2018 Water Bond Series A							
Matures 10/1/2037	\$ 88,000	-	\$ 72,000	-	4,000	68,000	4,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	1,860,000	-	85,000	1,775,000	85,000
2018 Water Bond Series B							
Matures 5/1/2048	362,000	1.00	317,000	-	11,000	306,000	11,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	275,033	-	4,305	270,728	4,480
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,148,276	-	36,646	2,111,630	37,950
Total business-type activity long-term liabilities			\$ 4,672,310	-	140,952	4,531,358	142,430

Debt service requirements to maturity for business-type activities are as follows:

For the year ending June 30,	Principal	Interest	Total
2024	\$ 142,430	87,110	229,540
2025	143,963	85,467	229,430
2026	144,550	83,770	228,320
2027	147,196	82,014	229,210
2028	147,900	80,200	228,100
2029 - 2033	777,312	371,478	1,148,790
2034 - 2038	832,200	315,600	1,147,800
2039 - 2043	876,383	249,317	1,125,700
2044 - 2048	614,872	170,558	785,430
2049 - 2053	554,068	78,332	632,400
2054 - 2055	150,484	3,504	153,988
Total	\$ 4,531,358	1,607,349	6,138,708

The business-type bonds are secured by their respective revenues.

The District has outstanding bonds related to business-type activities totaling \$4,531,358. The outstanding bonds are all secured with their respective revenues and/or property and equipment.

The District has no unused lines of credit as of June 30, 2023.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-E. Restricted net position

At June 30, 2023, the District's restricted net position is as follows:

Business-type:	
Net investment in capital assets	\$ 2,401,603
Restricted:	
Bond fund	216,816
Reserve fund	85,000
Unrestricted	<u>12,098</u>
Total net position	<u><u>\$ 2,715,517</u></u>

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The District is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

4-C. Pension Plans

General Information about the Pension Plan

Plan description:

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

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system

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.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

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/general/publications.

Summary of Benefits by System

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%

* with actuarial reductions

** All past-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 employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023, are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rate</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	-	16.01	0.18
Noncontributory System			
15 - Local Government Div - Tier 1	-	17.97	-
Tier 2 DC Only			
211 - Local Government	-	6.19	10.00

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

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

For the fiscal year ended June 30, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	Employer Contributions	Employee Contributions
Noncontributory System	\$ 7,865	N/A
Total Contributions	\$ 7,865	-

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2023, we reported a net pension asset of \$0 and a net pension liability of \$8,702.

	(Measurement Date): December 31, 2022		Proportionate Share	Proportionate Share 12/31/2021	Change (Decrease)
	Net Pension Asset	Net Pension Liability			
Noncontributory System	\$ -	\$ 8,702	0.0050805%	0.0053608%	-0.0002803%
Tier 2 Public Employees System	-	-	0.0000000%	0.0000000%	0.0000000%
Total	\$ -	\$ 8,702			

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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 year ended June 30, 2023, we recognize pension expense of \$5,662.

At June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,951	\$ -
Changes in assumptions	1,426	35
Net difference between projected and actual earnings on pension plan investments	5,740	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,293	542
Contributions subsequent to the measurement date	2,997	-
Total	\$ 14,407	\$ 577

\$2,997 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension 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>
2023	\$ (450)
2024	270
2025	2,293
2026	8,802
2027	(12)
Thereafter	(69)

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2023, we recognized pension expense of \$5,674.

At June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,951	\$ -
Changes in assumptions	1,426	35
Net difference between projected and actual earnings on pension plan investments	5,740	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,070	191
Contributions subsequent to the measurement date	2,997	-
Total	\$ 14,184	\$ 226

\$2,997 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

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>
2023	\$ (439)
2024	281
2025	2,305
2026	8,814
2027	-
Thereafter	-

Tie 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2023, we recognized pension expense of (\$12).

At June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	223	351
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 223</u>	<u>\$ 351</u>

\$0 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

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>
2023	\$ (12)
2024	(12)
2025	(12)
2026	(12)
2027	(12)
Thereafter	(69)

Actuarial assumptions:

The total pension liability in the December 31, 202, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.25 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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 asset allocation percentage and by adding expected inflation.

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Assets class</u>	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
Totals	100.00%		5.17%
Inflation			2.50%
Expected arithmetic nominal return			7.67%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.35% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

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 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.85 percent) or 1 percentage point higher (7.85 percent) than the current rate:

<u>System</u>	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 54,841	\$ 8,702	\$ (29,850)
Total	\$ 54,841	\$ 8,702	\$ (29,850)

Pension plan fiduciary net position:

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

Big Plains Water Special Service District
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4-C. Pension Plans (continued)

Defined Contributions Savings Plan:

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and 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 does not currently participate in any Defined Contribution Savings Plans with Utah Retirement Systems.

4-D. Prior period adjustment

During fiscal year 2022, the Jepsens Canyon Public Infrastructure District #1 purchased \$1,000,000 of water shares which were donated to the District. The District was not made aware of the donation until fiscal year 2023 and has recorded a prior period adjustment to increase water shares and net position by \$1,000,000 each, for this contribution.

In addition, the District has recognized additional accrued unpaid late fees due from the Town of Apple Valley as of June 30, 2022. This prior period adjustment resulted in an increase of \$11,758 in the beginning net position as reported on the Statement of Revenues, Expenses and Changes in Net Position.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Big Plains Water Special Service District
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2023
 Last 10 Fiscal Years*

	As of December 31,				
	2023	2022	2021	2020	2019
Noncontributory Retirement System					
Proportion of the net pension liability (asset)	0.0050805%	0.5360800%	0.0045272%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 8,702	\$ (30,702)	\$ 2,322	\$ -	\$ -
Covered employee payroll	\$ 54,958	\$ 54,609	\$ 45,006	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.83%	-56.22%	5.16%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	97.50%	108.70%	99.20%	0.00%	0.00%
Tier 2 Public Employees Retirement System					
Proportion of the net pension liability (asset)	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%

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

Big Plains Water Special Service District
SCHEDULE OF CONTRIBUTIONS
 June 30, 2023
 Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2019	\$ 8,313	\$ 8,313	\$ -	\$ 45,006	18.47%
	2020	8,313	8,313	-	45,006	18.47%
	2021	9,001	9,001	-	48,731	18.47%
	2022	10,389	10,389	-	56,247	18.47%
	2023	7,865	7,865	-	43,770	17.97%
Tier 2 Public Employees Riterment System**	2019	\$ 3,684	\$ 3,684	\$ -	\$ 23,705	15.54%
	2020	-	-	-	-	0.00%
	2021	-	-	-	-	0.00%
	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%

* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created July 1, 2011.

Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative practices.

Notes to Required Supplementary Information

Changes in Assumptions Related to Pensions :

No changes were made in actuarial assumptions from the prior year's valuation.

OTHER SUPPLEMENTARY INFORMATION

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Big Plains Water Special Service District
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

This information is required by one of the Big Plains Water Special Service District's bondholders to be included in the notes to the financial statements. It is not otherwise a required item for disclosure.

Insurance Coverage

The Big Plains Water Special Service District was insured for General Liability and Auto by the Utah Local Government Trust as of June 30, 2023. The following is a summary of the relevant coverages at June 30, 2023:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2023
Auto Bodily Injury	2,000,000	9/30/2023
Auto Property Damage	2,000,000	9/30/2023
Personal Injury Protection	As State Requires	9/30/2023
Underinsured Motorist	80,000	9/30/2023
Uninsured Motorist	80,000	9/30/2023
Pollution Exclusion Endorsement	50,000	9/30/2023
No Fault Sewer Cleanup	5,000	9/30/2023

Water System Cutomers and Connections

Customers	546
Connections	468
 Total revenues billed	 \$ 375,536

Schedule of Water Rates

	<u>Cost Per 1,000 Gallons:</u>	
Water - Base of \$49.00	5,000	\$ 1.50
	5,001-12,000	\$ 1.75
	12,001-25,000	\$ 2.00
	25,001-35,000	\$ 2.25
	35,001-45,000	\$ 2.50
	45,001+	\$ 2.75

Established Funds and Balances

Bond Fund	58,383
Reserve Fund	180,848
Capital Facilities Replacement Fund	76,236

Governing Body

Andy McGinnis	Chairman/Town Council
Ross Gregerson	Treasurer
Frank Lundhardt	Board Member/Mayor
Harold Merritt	Board Member
Jarry Zaharias	Board Member

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board and Management
Of Big Plains Water Special Service District
Town of Apple Valley, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Big Plains Water Special Service District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2024.

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) as a basis for designing 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 over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

HintonBurdick, PLLC

January 12, 2024



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on Compliance and
Report on Internal Control Over Compliance
As Required by the State Compliance Audit Guide**

Board and Management
of Big Plains Water Special Service District
Town of Apple Valley, Utah

Report on Compliance

We have audited the Big Plains Water Special Service District's (District) compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended June, 30, 2023.

General state compliance requirements were tested for the year ended June 30, 2023 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Governmental Fees
- Cash Management
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Impact Fees
- Special and Local Service District Board Members
- Utah Retirement Systems
- Public Treasurer's Bond
- Open and Public Meetings Act

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a

direct and material effect on the District 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

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

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 auditing 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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

We did note matters involving internal control over compliance or certain deficiencies which we are submitting for your consideration. These matters are described in the accompanying letter of Findings and Recommendations.

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.

HintonBurdick, PLLC

St. George, Utah
January 12, 2024