

**CENTRAL WEBER SEWER  
IMPROVEMENT DISTRICT  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED DECEMBER 31, 2017**

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**

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**INDEPENDENT AUDITOR’S REPORT**

To the Board of Trustees of  
Central Weber Sewer Improvement District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Central Weber Sewer Improvement District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Central Weber Sewer Improvement District’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central Weber Sewer Improvement District, as of December 31, 2017, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability, the schedule of contributions, and the notes to the required supplementary information on pages 3–10 and 44–46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018, on our consideration of the Central Weber Sewer Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Weber Sewer Improvement District's internal control over financial reporting and compliance.

***Child, Richards CPAs & Advisors***

Ogden, Utah  
June 5, 2018

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

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**Introduction**

The purpose of this document is to discuss and analyze the financial performance and activities of Central Weber Sewer Improvement District for the year ended December 31, 2017.

The District provides sewer treatment service for approximately 195,000 people in Weber and Davis Counties. The cities of Farr West, Harrisville, North Ogden, Ogden, Pleasant View, Riverdale, South Ogden, South Weber, Washington Terrace and West Haven, along with Uintah Highlands Special Service District are completely serviced by the District. Parts of Hooper, Marriott-Slaterville, Plain City, Roy, Uintah and unincorporated Weber County are also serviced by the District.

The District currently has approximately 57 miles of outfall sewer lines. During 2017, the District averaged 40,000,000 gallons of water treated per day. This compares to an average daily flow of 35,300,000 gallons in 2016 and averaged 31,800,000 gallons of water treated per day in 2015. In 2015 drought conditions existed in Northern Utah.

**Overview of the Financial Statements**

Central Weber Sewer Improvement District has one Proprietary Fund known as an Enterprise Fund. An Enterprise Fund may be used to report any activity for which a fee is charged to external users for goods or services. An Enterprise Fund is used to report the financial information of business-type activities provided by government.

**The Statement of Net Position** provides information regarding all assets of the District, such as cash, accounts receivable, prepaid items, and capital assets as well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net position.

**The Statement of Revenue, Expenses and Changes in Fund Net Position** shows all revenue received during the year broken down by charges for service, impact fees, property taxes, interest, and other miscellaneous revenue. The expenses are summarized by salaries and benefit expenses, maintenance supplies and materials, utilities, general insurance, engineering and professional fees, interest, and depreciation. This statement also shows the net position at the beginning of the year and at the end of the year.

**The Statement of Cash Flows** summarizes the flow of cash from operating activities, investment activities as well as capital and related financing activities and provides a reconciliation of operating income to the net cash provided by the operating activities.

**Notes to the Financial Statements** provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

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**The Management's Discussion and Analysis** is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

**Highlights**

The District reduced bond principal by \$6,686,360 during 2017. In addition, two outstanding series bonds were refunded. The Series 2010A Bonds with an original par amount of \$47,950,000 and outstanding par amount of \$39,325,000 were refunded by Series 2017A Bonds with a par amount of \$34,105,000.

The Series 2009B BABS with a \$51,000,000 original par amount and outstanding par amount of \$46,700,000 were crossover refunded by the Series 2017C Bonds with a par amount of \$32,980,000. The District made a cash contribution of \$10,000,000 to complete this transaction, which further reduced the amount of outstanding bond principle.

Net present savings from these two refundings were calculated at \$7,797,966 which represents an economic gain to the District.

On April 28, 2017, the District received a rating upgrade from Standard & Poor's Global Ratings from "A+" to "AA-". This represents a significant milestone for the District in regard to its credit strength as measured by the ratings agencies.

A total of \$1,593,867.27 was spent on capital projects in 2017. Major items included the purchase of a 2017 Brown Bear Model 400D at a cost of \$487,225.00. This equipment is used for the turning and drying of the biosolids. The turning and drying of biosolids is a method of composting the sludge to meet EPA permit requirements for the proper disposal of biosolids. It replaced an 18 year old Brown Bear that was showing significant signs of wear and higher maintenance costs.

The cost of the secondary digester membrane cover was \$373,189.69. The membrane system was originally installed in 2006 with a recommended ten year life. The project included taking the digester out of service, cleaning the tank, removing and replacing the membrane, installing a cable assembly to allow for future maintenance shutdowns, rehabilitating some of the mechanical equipment, and upgrade the instrumentation equipment.

The District utilizes a supervisory Control and Data Acquisition (SCADA) System to automate the treatment plant process. The existing SCADA System is outdated and required a major upgrade at a cost of \$238,493.98.

The District nearly completed work on a new Master Plan, including Nutrient Removal Requirements at a cost of \$211,591.03. Information from the new Master Plan will provide the District with a plan to meet future growth and EPA requirements.

A new 2017 Caterpillar Backhoe, Model 420 was purchased at a cost of \$86,864. The new backhoe replaces a leased machine.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

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**Economic Factors and Next Year's Budget**

Demand for new homes and business growth continues to improve. The Utah economy is one of the best in the nation with great diversity.

The District will continue working on an updated sewer impact fee study. The budget for Capital Projects is \$5,842,000 for 2018. The Board approved a 3% service fee rate increase in 2018 to help maintain the current bond rating.

Future demands and project needs were evaluated during the master planning effort. The District's process capabilities are well positioned to meet future Utah Division of Water Quality nutrient requirements at current demands. However, projected population growth within the service area will increase demands on the system. Existing facilities will no longer be sufficient to meet existing water quality nutrient standards. The District's Master Plan will be implemented in three phases of construction over the next 20 years to replace older technology with nutrient removal technology, while maintaining the older facilities for use as a wet weather facility. The District also has plans to increase hydraulic capacity of its collection system through a sequence of rehabilitation or replacement of pipelines.

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**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

**Financial Analysis of the District**

***Capital Assets***

The District spent \$1,593,867 on capital projects and equipment during 2017. \$373,190 was spent on the secondary digester cover replacement, \$238,494 was spent on the SCADA upgrades, \$487,225 was spent on the Brown Bear Model 400D, and \$86,864 was spent on the Caterpillar Backhoe 420.

Annual Depreciation for the year was \$7,017,616 which is an increase of \$82,414 from 2016.

Listed below is a summary of the Capital Assets as of December 31, 2017.

**Capital Assets**

**Net of Depreciation**

	2017	2016	Increase (Decrease)	% Change
Land	\$ 905,619	\$ 905,619	\$ -	0%
Buildings & Structure	102,024,958	104,583,402	(2,558,444)	-2%
Treatment Facilities	54,512,329	57,183,990	(2,671,661)	-5%
Outfall Lines	33,402,624	34,278,577	(875,953)	-3%
Equipment	112,744	81,384	31,360	39%
Vehicles	1,145,928	762,823	383,105	50%
Construction in Progress	282,968	15,124	267,844	1771%
Total Assets	\$ 192,387,170	\$ 197,810,919	\$ (5,423,749)	-3%
New Assets	\$ 1,593,867			
Depreciation	(7,017,616)			
Net Disposals	-			
Net Change	\$ (5,423,749)			

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

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*Debt*

At year end the District had \$180,756,281 of outstanding debt including bonds, compensated absences, net pension liability, and premiums and discounts on outstanding bonds. This is an increase of \$35,601,843 and represents the amount of principal paid in 2017 on existing bonds and issuance of two new bond issuances.

<b>Outstanding Debt at Year End</b>				
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Bonds Payable - Zions Bank	\$ 160,393,000	\$ 134,433,000	\$ 25,960,000	19%
Bond Payable - DWQ	6,990,160	7,351,520	(361,360)	-5%
Compensated Absences	167,589	182,633	(15,044)	-8%
Net Pension Liability	1,017,914	828,559	189,355	23%
Premiums and (Discounts)	<u>12,187,618</u>	<u>2,358,726</u>	<u>9,828,892</u>	<u>417%</u>
Total	<u>\$ 180,756,281</u>	<u>\$ 145,154,438</u>	<u>\$ 35,601,843</u>	<u>25%</u>

Accrued-Compensated Absences represents the total obligation of the District to employees for accrued leave time as of December 31, 2017.

For more detail about the outstanding bonds, see note 5 in the footnotes to the financial statements.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

***Net Position***

A summary of the Net Position is listed below. The summary lists the balances for 2016 and 2017. It includes a column showing the increase or decrease between the two years.

<b>Net Position</b>				
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>ASSETS</b>				
Current Assets	\$ 31,582,983	\$ 35,421,146	\$ (3,838,163)	-11%
Noncurrent Restricted Cash & Investments	55,930,869	8,362,940	47,567,929	569%
Capital Assets	<u>192,387,170</u>	<u>197,810,919</u>	<u>(5,423,749)</u>	<u>-3%</u>
Total Assets	<u>279,901,022</u>	<u>241,595,005</u>	<u>38,306,017</u>	<u>16%</u>
Deferred Outflows of Resources	<u>4,101,627</u>	<u>602,456</u>	<u>3,499,171</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 284,002,649</u>	<u>\$ 242,197,621</u>	<u>\$ 41,805,028</u>	<u>17%</u>
<b>LIABILITIES</b>				
Current Liabilities	\$ 9,159,712	\$ 7,780,315	\$ 1,379,397	18%
Noncurrent Liabilities:	<u>174,908,921</u>	<u>139,565,198</u>	<u>35,343,723</u>	<u>25%</u>
Total Liabilities	<u>184,068,633</u>	<u>147,345,513</u>	<u>36,723,120</u>	<u>25%</u>
Deferred Inflows of Resources	<u>171,101</u>	<u>139,644</u>	<u>(122,980)</u>	<u>23%</u>
Total Liabilities & Deferred Inflows	<u>184,239,734</u>	<u>147,639,594</u>	<u>36,600,140</u>	<u>25%</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	60,965,556	54,357,752	6,607,804	12%
Restricted	8,161,060	8,362,940	(201,880)	-2%
Unrestricted	<u>30,636,299</u>	<u>31,837,335</u>	<u>(1,201,036)</u>	<u>-4%</u>
Total Net Position	<u>\$ 99,762,915</u>	<u>\$ 94,558,027</u>	<u>\$ 5,204,888</u>	<u>6%</u>

The Statement of Net Position (Balance Sheet) is the basic statement for all the District's permanent accounts, such as assets, liabilities and equity as of December 31, 2017.

During 2017, total assets and deferred outflows increased by \$41,805,028 and liabilities and deferred inflows increased by \$36,600,140. District assets had an increase of \$47,567,929 in the Noncurrent restricted cash and investments from the issuance of the 2017C Bonds. The current assets decreased by \$3,838,163 mainly because of the \$10,000,000 advance made to fund the defeasance of outstanding debt.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

There was a decrease of \$5,691,593 in Net Depreciable Assets. Major changes to the liabilities include an increase to accrued interest for \$792,431 and an increase to bonds payable of \$35,427,532.

***Change in Net Position***

This report compares revenues and expenses between 2016 and 2017 calendar years. The report concludes by showing the increase or decrease in net position.

	<b>Change in Net Position</b>			
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<u>Revenues</u>				
Property Taxes & Vehicle Fees	\$ 7,854,063	\$ 7,597,876	\$ 256,187	3%
RDA Property Taxes	643,987	766,913.00	(122,926)	-16%
Charges for Services	12,546,513	12,357,285	189,228	2%
Sewer Impact Fees	3,384,512	3,457,552	(73,040)	-2%
Investment Earnings	235,839	336,945	(101,106)	-30%
Rentals	10,633	8,037	2,596	32%
Gain on sale of assets	82,070	58,829	23,241	100%
Miscellaneous	87,633	61,353	26,280	43%
Total Revenues	<u>24,845,250</u>	<u>24,644,790</u>	<u>200,460</u>	<u>1%</u>
<u>Expenses</u>				
Payroll & Benefits	3,311,368	2,976,559	334,809	11%
Utilities & Services	2,027,192	1,552,099	475,093	31%
Depreciation & Amortization	7,017,616	6,935,202	82,414	1%
Operation & Maintenance	988,595	1,105,924	(117,329)	-11%
Pretreatment	280,641	247,398	33,243	13%
Interest Expense	5,370,963	5,362,048	8,915	0%
Contribution to Other Governments	643,987	766,913	(122,926)	-16%
Other Expenses	-	-	-	-
Total Expenses	<u>19,640,362</u>	<u>18,946,143</u>	<u>694,219</u>	<u>4%</u>
Change in Net Position	5,204,888	5,698,647	(493,759)	-9%
Net Position-Beginning of Year	<u>94,558,027</u>	<u>88,859,380</u>	<u>5,698,647</u>	<u>6%</u>
Net Position-End of Year	<u>\$ 99,762,915</u>	<u>\$ 94,558,027</u>	<u>\$ 5,204,888</u>	<u>6%</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING DECEMBER 31, 2017**

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Total operating revenues increased by \$322,489 during 2017. The major increases were \$282,121 from property taxes and \$225,000 in city treatment fees.

Non-operating revenues decreased by \$122,029. In 2017, sewer impact fees decreased by \$73,040. Interest revenue increased by \$143,922, while investments in treasury notes saw an unrealized loss of \$319,514. Non-operating expenses for interest payments on bonds was \$5,370,963.

Total operating expenses increased by \$808,230. Payroll and benefits saw an increase of \$334,809, and utilities and services increased by \$475,093.

**Economic Factors and Next Year's Budget**

Interest in new homes and business continues to improve. The Utah economy is one of the best in the nation with great diversity. According to Business Insider, State Economy Rankings for 2017, Utah was ranked fourth in the nation. Utah was number one in job growth and ranked number five in business environment.

The District will continue working on an updated sewer impact fee study. The budget for Capital Projects is \$5,115,000 for 2018. The Board approved a 2% service fee rate increase in 2017 to help maintain the current bond rating.

The Utah Division of Water Quality will require nutrient removal over the next ten years. Phosphorus removal is a requirement over the next five years and nitrogen will likely be required within the next ten years. The District is studying methods to chemically remove nutrients to save on future construction costs for mechanical removal.

**Request for Information**

This financial report is designed to provide taxpayers, customers, creditors and management with a general overview of the District's finances and to show the District's accountability for money received. If you have any questions about the report or need additional financial information, please contact:

Central Weber Sewer Improvement District  
Attention: John Cardon  
2618 W. Pioneer Road  
Marriott-Slaterville, UT 84404

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**

	<u>2017</u>	<u>2016 Memo Only</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>ASSETS</b>				
<u>CURRENT ASSETS:</u>				
Checking - Bank of Utah	\$ 116,892	\$ 126,764	\$ (9,872)	-8%
Public Treasurers' Investment Fund	30,786,556	34,614,170	(3,827,614)	-11%
Petty Cash	200	200	-	0%
Owner's Escrow - House Rental	400	250	150	60%
Accounts Receivable	667,485	663,846	3,639	1%
Prepaid Expenses	11,450	15,916	(4,466)	-28%
Total Current Assets	<u>31,582,983</u>	<u>35,421,146</u>	<u>(3,838,163)</u>	<u>-11%</u>
<u>NONCURRENT ASSETS:</u>				
Restricted Cash-Bond Reserves	8,161,060	8,362,940	(201,880)	-2%
Irrevocable Escrow Securities	47,769,809	-	47,769,809	
Net Pension Asset	-	160	(160)	-
Capital Assets				
Land	905,619	905,619	-	0%
Construction in Progress	282,968	15,124	267,844	1771%
Net Depreciable Assets	191,198,583	196,890,176	(5,691,593)	-3%
Total Noncurrent Assets	<u>248,318,039</u>	<u>206,174,019</u>	<u>42,144,020</u>	<u>20%</u>
Total Assets	<u>279,901,022</u>	<u>241,595,165</u>	<u>38,305,857</u>	<u>16%</u>
Deferred Outflows of Resources	<u>4,101,627</u>	<u>602,456</u>	<u>3,499,171</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 284,002,649</u>	<u>\$ 242,197,621</u>	<u>\$ 41,805,028</u>	<u>17%</u>

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**

	<u>2017</u>	<u>2016 Memo Only</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>LIABILITIES</b>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable - General	\$ 525,166	\$ 196,320	\$ 328,846	168%
Accrued Interest	2,787,186	1,994,755	792,431	40%
Current Portion Long Term Debt	5,847,360	5,589,240	258,120	5%
Total Current Liabilities	<u>9,159,712</u>	<u>7,780,315</u>	<u>1,379,397</u>	<u>18%</u>
<u>NONCURRENT LIABILITIES:</u>				
Accrued - Compensated Absences	167,589	182,633	(15,044)	-8%
Net Pension Liability	1,017,914	828,559	189,355	-
Bonds Payable - Zions	167,094,618	131,516,726	35,577,892	27%
Bonds Payable - DWQ	6,628,800	7,037,280	(408,480)	-6%
Total Noncurrent Liabilities	<u>174,908,921</u>	<u>139,565,198</u>	<u>35,343,723</u>	<u>25%</u>
Total Liabilities	<u>184,068,633</u>	<u>147,345,513</u>	<u>36,723,120</u>	<u>25%</u>
Deferred Inflows of Resources - Pensions	171,101	139,644	31,457	23%
Deferred Inflows of Resources - Treatment Fees	-	154,437	(154,437)	100%
Total Liabilities & Deferred Inflows	<u>184,239,734</u>	<u>147,639,594</u>	<u>36,600,140</u>	<u>25%</u>
<b>NET POSITION</b>				
Net investment in capital assets	60,965,556	54,357,752	6,607,804	12%
Restricted for Bond Reserves	8,161,060	8,362,940	(201,880)	-2%
Unrestricted	30,636,299	31,837,335	(1,201,036)	-4%
Total Net Position	<u>\$ 99,762,915</u>	<u>\$ 94,558,027</u>	<u>\$ 5,204,888</u>	<u>6%</u>

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016 Memo Only</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>REVENUES</b>				
Property Taxes	\$ 7,116,570	\$ 6,834,449	\$ 282,121	4%
Redemptions	192,100	205,488	(13,388)	-7%
Fee in Lieu - Vehicles	545,393	557,939	(12,546)	-2%
RDA Property Taxes	643,987	766,913	(122,926)	-16%
Treatment Fees - Cities	11,485,004	11,260,004	225,000	2%
Treatment Fees - District	328,478	309,534	18,944	6%
Treatment Fees - Bona Vista	214,224	203,906	10,318	5%
Treatment Fees - Septic Hauler	97,428	101,061	(3,633)	-4%
Treatment Fees - Surcharges	137,280	174,910	(37,630)	-22%
Lagoon Management	8,149	52,449	(44,300)	-84%
Pretreatment Fees - Cities	212,000	203,000	9,000	0
Pretreatment Fees - Inspection	63,950	52,421	11,529	22%
Total Operating Revenues	<u>21,044,563</u>	<u>20,722,074</u>	<u>322,489</u>	<u>2%</u>
<b>EXPENSES</b>				
Payroll & Benefits	3,311,368	2,976,559	334,809	11%
Utilities & Services	2,027,192	1,552,099	475,093	31%
Depreciation & Amortization	7,017,616	6,935,202	82,414	1%
Operation & Maintenance	988,595	1,105,924	(117,329)	-11%
Pretreatment	280,641	247,398	33,243	13%
Bad Debt Expense	-	-	-	-
Total Operating Expenses	<u>13,625,412</u>	<u>12,817,182</u>	<u>808,230</u>	<u>6%</u>
Net Operating Income	<u>7,419,151</u>	<u>7,904,892</u>	<u>(485,741)</u>	<u>-6%</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Sewer Impact Fees	3,384,512	3,457,552	(73,040)	-2%
Contribution to Other Governments	(643,987)	(766,913)	122,926	-16%
Interest Revenue	426,844	282,922	143,922	51%
Bond Interest	128,509	54,023	74,486	138%
Rental Income	10,633	8,037	2,596	32%
Gain on sale of assets	82,070	58,829	23,241	100%
Miscellaneous	87,633	61,353	26,280	43%
Unrealized Gain (Loss) On Escrow Securities	(319,514)	-	(319,514)	
Interest Expense	(5,370,963)	(5,362,048)	(8,915)	0%
Total Non-Operating Revenues	<u>(2,214,263)</u>	<u>(2,206,245)</u>	<u>(8,018)</u>	<u>0%</u>
Change in Net Position	5,204,888	5,698,647	(493,759)	-9%
Net Position - Beginning of Year	<u>94,558,027</u>	<u>88,859,380</u>	<u>5,698,647</u>	<u>6%</u>
Net Position - End of Year	<u>\$ 99,762,915</u>	<u>\$ 94,558,027</u>	<u>\$ 5,204,888</u>	<u>6%</u>

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016 Memo Only</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from intergovernmental revenue - property taxes	\$ 8,017,937	\$ 7,761,750
Receipts from customers and users	12,868,550	13,134,337
Payments to employees	(3,253,549)	(3,071,852)
Payments to suppliers	(2,963,116)	(2,960,913)
Net cash provided (used) by operating activities	<u>14,669,822</u>	<u>14,863,322</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contribution to Other Governments	(643,987)	(766,913)
Net cash provided (used) by noncapital financing activities	<u>(643,987)</u>	<u>(766,913)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Other non-operating income	87,632	61,352
Impact fees	3,384,512	3,457,552
Proceeds from the sale of assets	76,158	58,829
Purchases of capital assets	(657,927)	(243,175)
Acquisition and construction of capital assets	(935,940)	(1,241,425)
Interest paid	(5,660,391)	(5,437,881)
Proceeds from issuance of debt	75,725,656	-
Principal paid on capital debt	(39,741,360)	(5,639,496)
Purchase of escrow securities	(48,268,132)	
Net cash provided (used) by capital and related financing activities	<u>(15,989,792)</u>	<u>(8,984,244)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Rental income	10,633	8,037
Interest and dividends	555,353	336,945
Net cash provided (used) by investing activities	<u>565,986</u>	<u>344,982</u>
Net increase (decrease) in cash and cash equivalents	(1,397,971)	5,457,147
Balances - Beginning of the year	40,463,079	35,005,932
<b>Balances - End of the year</b>	<u><u>\$ 39,065,108</u></u>	<u><u>\$ 40,463,079</u></u>
Cash, including time deposits	\$ 30,904,048	\$ 34,741,384
Restricted cash, including time deposits	<u>8,161,060</u>	<u>8,362,940</u>
<b>Total cash and cash equivalents, end of year</b>	<u><u>\$ 39,065,108</u></u>	<u><u>\$ 43,104,324</u></u>

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016 Memo Only</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 7,419,151	\$ 7,904,892
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation & amortization expense	7,017,616	6,935,202
(Increase) decrease in prepaid expenses	4,466	(669)
(Increase) decrease in accounts receivable	(167,513)	(144,298)
(Increase) decrease in intergovernmental receivables	163,874	163,874
Increase (decrease) in accounts payable	63,123	(181,582)
Less the (increase) decrease in capital accounts payable	265,723	126,759
Increase (decrease) in compensated absences payable	(15,044)	22,647
Increase (decrease) in deferred inflow of resources - treatment fees	(154,437)	154,437
Increase (decrease) in net pension liability	72,863	(117,940)
Total Adjustments	<u>7,250,671</u>	<u>6,958,430</u>
Net cash provided by operating activities	<u>\$ 14,669,822</u>	<u>\$ 14,863,322</u>

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Central Weber Sewer Improvement District conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The district has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

The Central Weber Sewer Improvement District is a special district organized for the purpose of providing sewage treatment services to cities in Weber and Davis Counties. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) were used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry – to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-61 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

**B. Fund Financial Statements**

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses, and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Accordingly, the District has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB.

**D. Assets, Liabilities, and Fund Balance/Net Position**

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Cash & Cash Equivalents and Investments***

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

***Inventories***

No significant inventories are maintained by the District; therefore, none are reflected in these statements.

***Bond Issue Costs***

The District has adopted GASB Statement No. 65, which has redefined the definition of an asset and provided a new categorization for deferred outflows. According to this standard, bond issuance costs no longer meet the criteria of an asset and have been expensed as an outflow of resources. Prior to 2012, the issuance costs were amortized using the straight-line method in the statement of net assets for the term of the bonds from which the costs were incurred.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balance/Net Position (Continued)**

***Restricted Assets***

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the Statement of Net Position because their use is limited.

***Capital Assets***

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-15 years
Improvements	10-50 years	Infrastructure	25-40 years

***Long-term Obligations***

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

***Net Position/Fund Balances***

The difference between assets and liabilities is *net position* on the financial statements. 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 and deferred inflows of resources 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 the net investment in capital assets.

*Restricted for impact fees* – This component of net position consists of unexpended impact fees required to be used as designated in the capital facilities plan.

*Restricted for bond reserves* – This component of net position consists of various reserves required by the bond purchaser and trustee.

*Unrestricted* – This component of net position consists of the portion of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues and Expenditures**

The following are the District's significant policies related to recognition and reporting of certain revenues and expenditures.

***Revenue Availability***

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defined a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange

***Expenditure Recognition***

When an expenditure is incurred for the purpose for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

**F. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**G. Compensated Absences**

District policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the proprietary financial statements.

**H. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation. The columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

**I. Use of Estimates**

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

**J. Receivables**

Receivables include amounts due from customers primarily for services. These receivables are due within one month of billing. An allowance for doubtful accounts is maintained as an estimate of

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Receivables (Continued)**

collectibility. At year end, the balance of this account was \$0. When an amount is deemed to be uncollectible, the receivable will be written off at that time.

**K. Pensions**

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. Investments are reported at fair value.

**L. Deferred Outflows of Resources**

In addition to assets, the statement of financial 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred contributions and differences between projected and actual earnings on its pension plan assets as well as the difference between the reacquisition price of refunded bonds and the net carrying amount of the refunded bonds.

**M. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item reported under this category. The District participates in the Utah Retirement Systems and has deferred inflows of resources associated with differences between expected and actual experience and changes in assumptions.

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**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a “qualified depository”.

The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2017, \$0 of the District’s bank balances of \$153,880 was uninsured and uncollateralized.

**Investments**

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

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

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; 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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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 Money Management Act (*Utah Code*, Title 51, Chapter 7). 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.

*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 December 31, 2017, the District had the following recurring fair value measurements.

	<b>Fair Value Measurements Using</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments by fair value level</b>				
Debt securities:				
Utah Public Treasurer's Investment Fund	\$ 38,947,616	\$ -	\$ 38,947,616	\$ -
US Treasury Notes & Bonds	47,034,780	-	47,034,780	-
Zero Coupon - Treasury Bonds	379,129	-	379,129	-
US Treasury State/Local Gov Cert	355,900	-	355,900	-
<b>Total debt securities</b>	<b>\$ 86,717,425</b>	<b>\$ -</b>	<b>\$ 86,717,425</b>	<b>\$ -</b>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the December 31, 2017 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund; and,

*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. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of December 31, 2017, the District's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
PTIF Investments	38,947,616	38,947,616	-	-	-
US Treasury Notes & Bonds	47,034,780	140,312	46,894,425	-	-
Zero Coupon - Treasury Bonds	379,129	379,129	-	-	-
US Treasury State/Local Gov Cert	355,900	355,900	-	-	-
	86,717,425	39,822,957	46,894,425	-	-

*Credit Risk*

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

At December 31, 2017 the District's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF Investments	38,947,616	-	-	-	38,947,616
US Treasury Notes & Bonds	47,034,780	47,034,737	-	-	-
Zero Coupon - Treasury Bonds	379,129	-	-	-	379,129
US Treasury State/Local Gov Cert	355,900	-	-	-	355,900
	86,717,425	47,034,737	-	-	39,682,645

*Concentration of Credit Risk*

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

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Cash on hand and on deposit:	
Cash on deposit	\$ 116,892
Petty cash	200
Owner's Escrow	400
PTIF investment	38,947,616
Treasury Notes and Bonds	47,769,809
Total cash and investments	<u>\$86,834,917</u>

Cash and investments are included in the accompanying combined statement of net position as follows:

Checking - Bank of Utah	\$ 116,892
Public Treasurers' Investment Fund	30,786,556
Petty Cash	200
Owner's Escrow - House Rental	400
Restricted Cash	8,161,060
Irrevocable Escrow Securities	47,769,809
Total cash and investments	<u>\$86,834,917</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2017, was as follows:

BUSINESS-TYPE ACTIVITIES	<b>Balance December 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2017</b>
<b>Nondepreciable Assets</b>				
Land	\$ 905,619	\$ -	\$ -	\$ 905,619
Construction in progress	15,124	267,844	-	282,968
Total nondepreciable assets	<u>920,743</u>	<u>267,844</u>	<u>-</u>	<u>1,188,587</u>
<b>Depreciable Assets</b>				
Buildings and structures	124,703,036	-	(111,666)	124,591,370
Treatment facilities	91,806,760	618,787	-	92,425,547
Outfall lines	47,131,141	49,309	-	47,180,450
Equipment	1,124,606	74,494	(227,506)	971,594
Vehicles	1,862,578	583,433	(341,528)	2,104,483
Total depreciable assets	<u>266,628,121</u>	<u>1,326,023</u>	<u>(680,700)</u>	<u>267,273,444</u>
<b>Less Accumulated Depreciation</b>				
Buildings and structures	(20,119,634)	(2,558,444)	111,666	(22,566,412)
Treatment facilities	(34,622,770)	(3,290,448)	-	(37,913,218)
Outfall lines	(12,852,564)	(925,262)	-	(13,777,826)
Equipment	(1,043,222)	(43,134)	227,506	(858,850)
Vehicles	(1,099,755)	(200,328)	341,528	(958,555)
Total accumulated depreciation	<u>(69,737,945)</u>	<u>(7,017,616)</u>	<u>680,700</u>	<u>(76,074,861)</u>
Net depreciable assets	<u>196,890,176</u>	<u>(5,691,593)</u>	<u>-</u>	<u>191,198,583</u>
Business-type activities - net	<u>\$ 197,810,919</u>	<u>\$ (5,423,749)</u>	<u>\$ -</u>	<u>\$192,387,170</u>

**Depreciation Expense:**

December 31, 2017	<u>\$ 7,017,616</u>
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**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables at December 31, 2017 consist of the following:

Property taxes	\$ 526,759
Customers	69,817
Intergovernmental	<u>70,909</u>
	<u>\$ 667,485</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 5 – DEFERRED OUTFLOWS OF RESOURCES**

The District’s deferred outflows of resources comprise of two separate accounts. They are the deferred contributions and differences between projected and actual earnings on its pension plan assets as well as the difference between the reacquisition price of refunded bonds and the net carrying amount of the refunded bonds. The deferred outflow of resource in relation to the pension plan at year end was \$768,122 and the balance in relation to the refunded debt was \$3,333,505.

**NOTE 6 – LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2017, was as follows:

Description	Outstanding 12/31/2015	Additions	Subtractions	Outstanding 12/31/2016	Current Portion
Series 2000 \$10,180,000	\$ 7,351,520	\$ -	\$ (361,360)	\$ 6,990,160	\$ 361,360
Series 2008-B \$10,000,000	7,948,000	-	(450,000)	7,498,000	460,000
Series 2008-C \$145,025	795,000	-	(45,000)	750,000	46,000
Series 2009-A \$11,000,000	2,000,000	-	(2,000,000)	-	-
Series 2009-B \$51,000,000	51,000,000	-	-	51,000,000	2,100,000
Series 2010-A \$47,950,000	40,915,000	-	(35,695,000)	5,220,000	1,655,000
Series 2010-C \$31,775,000	31,775,000	-	(1,190,000)	30,585,000	1,225,000
Series 2017-A \$32,360,000	-	32,360,000	-	32,360,000	-
Series 2017-C \$32,980,000	-	32,980,000	-	32,980,000	-
Premium 2009-A	49,781	-	(49,781)	-	-
Discount 2009-B	(144,315)	-	144,315	-	-
Premium 2010-A	2,453,260	-	(2,453,260)	-	-
Premium 2017-A	-	7,406,477	(265,280)	7,141,197	-
Premium 2017-C	-	5,288,132	(241,711)	5,046,421	-
	<u>\$144,143,246</u>	<u>\$78,034,609</u>	<u>\$(42,607,077)</u>	<u>\$ 179,570,778</u>	<u>\$5,847,360</u>
Compensated absences	182,633	-	(15,044)	167,589	-
Net pension liability	828,559	189,355	-	1,017,914	-
	<u>\$145,154,438</u>	<u>\$78,223,964</u>	<u>\$(42,622,121)</u>	<u>\$ 180,756,281</u>	<u>\$5,847,360</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

The District's Long-Term Debt has been reported on the statement of net position in the following categories:

Current Portion of Long-Term Debt	\$ 5,847,360
Bonds Payable - Zions	167,094,618
Bonds Payable - DWQ	<u>6,628,800</u>
	<u>\$ 179,570,778</u>
Accrued - Compensated Absences	167,589
Net Pension Liability	<u>1,017,914</u>
	<u>\$ 180,756,281</u>

For the year ended December 31, 2017, \$5,370,963 in interest was charged to expense. No interest was capitalized in 2017.

**Series 2000 Sewer Revenue Bonds** – On February 13, 2001, the District Trustees, by resolution 2000-1, entered into an agreement authorizing the issuance and confirming the sale of non-interest-bearing, taxable sewer revenue bonds, Series 2000, of Central Weber Sewer Improvement District, Weber County, Utah, in an amount not to exceed \$10,180,000. The purpose of the bond issue was defraying a portion of the cost of constructing sewage collection and treatment facilities and related improvements. As of December 31, 2017, \$10,180,000 has been issued and \$6,990,160 is outstanding. The annual requirement to amortize this debt is as follows:

December 31,	Principal	Total
2018	\$ 361,360	\$ 361,360
2019	361,360	361,360
2020	361,360	361,360
2021	361,360	361,360
2022	361,360	361,360
2023-2027	1,806,800	1,806,800
2028-2032	1,806,800	1,806,800
2033-2037	<u>1,569,760</u>	<u>1,569,760</u>
	<u>\$ 6,990,160</u>	<u>\$ 6,990,160</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**Series 2008 B Bonds** – On February 11, 2008, the District Trustees authorized the issuance of interest-bearing sewer revenue bonds in an amount not to exceed \$10,050,000. These bonds were not issued until 2009. The purpose of the bond issue was to defray a portion of the cost of plant expansion, treatment facilities, and related improvements. As of December 31, 2017, \$10,050,000 had been issued and \$7,498,000 is outstanding. The bonds have an interest rate which is set at 2.30%. The annual requirement to amortize this debt is as follows:

December 31,	Principal	Interest	Total
2018	\$ 460,000	\$ 172,454	\$ 632,454
2019	471,000	161,874	632,874
2020	481,000	151,041	632,041
2021	493,000	139,978	632,978
2022	504,000	128,639	632,639
2023-2027	2,698,000	464,002	3,162,002
2028-2031	2,391,000	139,012	2,530,012
	<u>\$ 7,498,000</u>	<u>\$ 1,357,000</u>	<u>\$ 8,855,000</u>

**Series 2008 C Bonds** – On February 11, 2008, the District Trustees authorized the issuance of interest-bearing sewer revenue bonds in an amount not to exceed \$1,005,000. The purpose of the bond issue was to defray a portion of the cost of plant expansion, treatment facilities, and related improvements. As of December 31, 2017, \$1,005,000 had been issued and \$750,000 is outstanding. The bonds have an interest rate which is set at 2.30%. The annual requirement to amortize this debt is as follows:

December 31,	Principal	Interest	Total
2018	\$ 46,000	\$ 17,250	\$ 63,250
2019	47,000	16,192	63,192
2020	48,000	15,111	63,111
2021	49,000	14,007	63,007
2022	50,000	12,880	62,880
2023-2027	271,000	46,460	317,460
2028-2031	239,000	13,892	252,892
	<u>\$ 750,000</u>	<u>\$ 135,792</u>	<u>\$ 885,792</u>

**Series 2009 A Bonds** – On May 18, 2009, the District Trustees authorized the issuance of interest-bearing bonds in an amount not to exceed \$11,000,000. These bonds yield an interest rate of 3.5%. The purpose of the bond issue was to defray a portion of the cost of plant expansion, treatment facilities, and related improvements. As of December 31, 2017, \$11,000,000 had been issued and \$0 is outstanding.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**Series 2009 B Bonds** – On May 18, 2009, the District Trustees authorized the issuance of interest-bearing Build America Bonds (BABS) in an amount not to exceed \$62,000,000. The purpose of the bond issue was to defray a portion of the cost of plant expansion, treatment facilities, and related improvements.

These bonds are not tax exempt; therefore they yield an interest rate of 5.50%. However, the bond documents established a contract with the Federal Government to reimburse the District equal to 35% of the interest paid. In 2015, one of the Federal Government’s budget cuts reduced the 35% reimbursement by 7.3%, for an effective reimbursement percentage of 32.45%. The interest amounts shown below are net of the 32.48% refund from the federal government for the entire term of the bonds for an effective rate of 4.02%.

In 2017, the Series 2017C Crossover Refunding Bonds were issued with the purpose of repaying \$46,700,000 of principal on the 2009B Bonds on March 1, 2019. The 2017C Bond Proceeds, along with \$10,000,000 in cash from the District have been set aside in an irrevocable trust to refund the 2009B Bonds. When the 2017C Bonds were issued, the scheduled amortization of the 2009B Bonds changed to make them fully due in 2019 with the funds set aside in an irrevocable trust escrow.

The annual requirement to amortize this debt is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,100,000	\$ 2,013,660	\$ 4,113,660
2019	48,900,000	1,943,736	50,843,736
	<u>\$ 51,000,000</u>	<u>\$ 3,957,396</u>	<u>\$ 54,957,396</u>

**Series 2010 A Bonds** – On March 15, 2010, the District Trustees authorized the issuance of interest-bearing Sewer Revenue Refunding Bonds in an amount not to exceed \$47,950,000. These bonds are tax exempt, and yield an average coupon rate of 4.83%. The purpose of the bond issue was pay off the 2008A Bonds in the amount of \$50,000,000.

In 2017, the Series 2017A Advance Refunding Bonds were issued with the purpose of refunding the 2010A Bonds. The 2017A Bond Proceeds, along with \$665,000 in cash from the District have been set aside in an irrevocable trust to refund the 2010A Bonds. The 2017A refunding enabled the District to remove the refunded portion of the 2010A Bonds and the associated assets from their financial statement as they are in-essence defeased. The refunded portion was \$34,105,000. The remaining balance of \$5,220,000 remains outstanding and shows as an obligation on the District’s financial statement.

The annual requirement to amortize this debt is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,655,000	\$ 1,887,125	\$ 3,542,125
2019	1,740,000	1,802,250	3,542,250
2020	1,825,000	1,713,125	3,538,125
	<u>\$ 5,220,000</u>	<u>\$ 5,402,500</u>	<u>\$ 10,622,500</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**Series 2010 C Bonds** – On June 21, 2010, the District Trustees authorized the issuance of interest-bearing Build America Bonds (BABS) in an amount not to exceed \$31,775,000. As of December 31, 2017, \$31,775,000 had been issued and \$30,585,000 is outstanding. The purpose of the bond issue was to defray a portion of the cost of plant expansion, treatment facilities, and related improvements.

These bonds are not tax exempt; therefore they yield an interest rate of 6.13%. However, the bond documents established a contract with the Federal Government to reimburse the District equal to 35% of the interest paid. In 2015, one of the Federal Government’s budget cuts reduced the 35% reimbursement by 7.3%, for an effective reimbursement percentage of 32.45%. At the date of these financial statements it was unknown how long the reduced reimbursement would last. The interest amounts shown below are net of the 32.48% refund from the federal government for the entire term of the bonds for an effective rate of 4.00%. The annual requirement to amortize this debt is as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,225,000	\$ 1,214,379	\$ 2,439,379
2019	1,265,000	1,175,231	2,440,231
2020	1,300,000	1,132,960	2,432,960
2021	1,350,000	1,087,728	2,437,728
2022	1,400,000	1,039,400	2,439,400
2023-2027	7,795,000	4,347,836	12,142,836
2028-2032	9,515,000	2,540,704	12,055,704
2033-2035	6,735,000	450,782	7,185,782
	<u>\$ 30,585,000</u>	<u>\$ 12,989,020</u>	<u>\$ 43,574,020</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**Series 2017 A Bonds** – On July 20, 2017, the District issued interest-bearing Sewer Revenue Refunding Bonds with a par amount of \$32,360,000 and a premium of \$5,097,524. These bonds are tax exempt, and yield an average coupon rate of 4.37%. The purpose of the bond issue was refund the 2010A Bonds in the amount of \$34,105,000. This refunding resulted in a net present value benefit of \$3,536,204. As of December 31, 2017, \$32,360,000 had been issued and \$32,360,000 is outstanding. The annual requirement to amortize this debt is as follows:

December 31,	Principal	Interest	Total
2018	\$ -	\$ 1,451,900	\$ 1,451,900
2019	-	1,451,900	1,451,900
2020	-	1,451,900	1,451,900
2021	1,840,000	1,415,100	3,255,100
2022	1,925,000	1,330,175	3,255,175
2023-2027	11,225,000	5,063,375	16,288,375
2028-2032	14,180,000	2,115,400	16,295,400
2033	3,190,000	63,800	3,253,800
	<u>\$ 32,360,000</u>	<u>\$ 14,343,550</u>	<u>\$ 46,703,550</u>

**Series 2017 C Bonds** – On May 15, 2017, the District Trustees authorized the issuance of interest-bearing Crossover Sewer Revenue Refunding Bonds in an amount not to exceed \$32,980,000. These bonds are tax exempt, and yield an average coupon rate of 4.52%. The purpose of the bond issue was refund the 2009B Bonds in the amount of \$46,700,000. As of December 31, 2017, \$32,980,000 had been issued and \$32,980,000 is outstanding. The annual requirement to amortize this debt is as follows:

December 31,	Principal	Interest	Total
2018	\$ -	\$ 1,586,300	\$ 1,586,300
2019	-	1,471,825	1,471,825
2020	1,590,000	1,440,025	3,030,025
2021	1,655,000	1,375,125	3,030,125
2022	1,715,000	1,316,300	3,031,300
2023-2027	9,790,000	5,357,250	15,147,250
2028-2032	12,450,000	2,699,638	15,149,638
2033-2034	5,780,000	278,125	6,058,125
	<u>\$ 32,980,000</u>	<u>\$ 15,524,588</u>	<u>\$ 48,504,588</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**Advance Refunding** - On July 20, 2017, the District issued \$32,360,000 of Revenue Refunding Bonds with a premium of \$5,097,524. The bonds were issued at a net interest cost of 3.02% and an average coupon rate of 4.37%. The Bonds will mature on March 1, 2033. The District issued the bonds to advance refund \$34,105,000 of outstanding Series 2010A Revenue Bonds. The District deposited the net proceeds along with \$665,000 in cash in an irrevocable trust to provide for all future debt service on the refunded portion of the 2010A Bonds. As a result, the refunded portion of those bonds is considered an in-substance defeasance, and the District has removed the liability and associated assets from its accounts. The advance refunding resulted in an economic benefit with a net present value savings of \$3,536,204. The net proceeds and cash placed in the irrevocable trust are restricted to monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal.

When the 2017A Bonds were issued the reacquisition price of the 2010A Bonds exceeded the net carrying amount of the 2010A Bonds by \$3,644,755. This amount has been reported as a deferred outflow of resource and is being amortized in a systematic and rational manner as a component of interest expense over the life of the new debt.

**Compensated Absences** – This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees had terminated employment at December 31, 2017. The balance in this account at December 31, 2017 was \$167,589.

**NOTE 7 – BOND RESOLUTION COMPLIANCE**

**Series 2000 Sewer Revenue Bonds**

The Series 2000 Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning January 10, 2002, and on or before the 10<sup>th</sup> day of each subsequent month, the District is required to reserve one-twelfth (1/2) of the annual principal payment due on the sewer revenue bond. This Bond Account will then be used to make the annual payment. As the annual bond payment is made in December, the balance in this account at December 31, 2017 was \$0.
- 2) Beginning January 10, 2002, and on or before the 10<sup>th</sup> day of each subsequent month, the District is required to reserve \$3,535 until such time as the aggregate reserve equals \$254,500. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2017 was \$254,500.
- 3) Beginning January 10, 2002, and on or before the 10<sup>th</sup> day of each subsequent month, the District is required to reserve \$1,767 until such time as the aggregate reserve equals \$127,250. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to, the system to ensure its continued operation. The balance in this account at December 31, 2017 was \$127,250.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 7 – BOND RESOLUTION COMPLIANCE (CONTINUED)**

**Series 2008 B Sewer Revenue Bonds**

The Series 2008 B Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) On or before the 15<sup>th</sup> day of each of the first 72 months following the issuance of the Series 2008B Bonds the District shall deposit into the Series 2008B Debt Service Reserve Subaccount, an amount equal to \$8,045. The balance of this reserve at December 31, 2017 was \$586,562.
- 2) On or before the 15<sup>th</sup> day of each of the first 72 months following the issuance of the Series 2008B Bonds the District shall deposit into the Series 2008B Renewal and Replacement Reserve Fund, an amount equal to \$4,425. The balance of this reserve at December 31, 2017 was \$322,926.

**Series 2008 C Sewer Revenue Bonds**

The Series 2008 C Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning January 10, 2009, and on or before the 10<sup>th</sup> day of each subsequent month, the District is required to reserve \$805. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2017 was \$59,188.

**Series 2009 A Sewer Revenue Bonds**

The Series 2009A Bonds have a debt service reserve account with a maximum amount of \$1,110,000. The reserve account is satisfied through a financial guaranty insurance policy at the time of issuance. As this reserve is not funded with cash deposits, the reserve is not reported on the financial statements.

**Series 2009 B Sewer Revenue Bonds**

The Series 2009B Bonds have debt service reserve account with a maximum of \$5,088,513. The debt reserve balance is equal to the lesser of 1) 10% of the aggregate issue price of the related bonds, 2) the maximum annual debt service on the related bonds or 3) 125% of the District's average annual debt service on the related bonds, calculated as of the date of original issuance of the Series 2009 Bonds. This reserve is satisfied through a financial guaranty insurance policy at the time of issuance. As this reserve is not funded with cash deposits, the reserve is not reported on the financial statements.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 7 – BOND RESOLUTION COMPLIANCE (CONTINUED)**

**Series 2010 A Sewer Revenue Bonds**

The Series 2010A Bonds have debt service reserve account with a maximum of \$3,547,950. The debt reserve balance is equal to the lesser of 1) 10% of the aggregate issue price of the related bonds, 2) the maximum annual debt service on the related bonds or 3) 125% of the District's average annual debt service on the related bonds, calculated as of the date of original issuance of the Series 2010A Bonds. This reserve is satisfied through a financial guaranty insurance policy at the time of issuance. As this reserve is not funded with cash deposits, the reserve is not reported on the financial statements.

**Series 2010 B Sewer Revenue Bonds**

The Series 2010B Bonds have debt service reserve account with a maximum of \$522,500. The debt reserve balance is equal to the lesser of 1) 10% of the aggregate issue price of the related bonds, 2) the maximum annual debt service on the related bonds or 3) 125% of the District's average annual debt service on the related bonds, calculated as of the date of original issuance of the Series 2010B Bonds. This reserve is satisfied through a financial guaranty insurance policy at the time of issuance. As this reserve is not funded with cash deposits, the reserve is not reported on the financial statements.

**Series 2010 C Sewer Revenue Bonds**

The Series 2010C Bonds have debt service reserve account with a maximum of \$3,045,678. The debt reserve balance is equal to the lesser of 1) 10% of the aggregate issue price of the related bonds, 2) the maximum annual debt service on the related bonds or 3) 125% of the District's average annual debt service on the related bonds, calculated as of the date of original issuance of the Series 2010C Bonds. This reserve is satisfied through a financial guaranty insurance policy at the time of issuance. As this reserve is not funded with cash deposits, the reserve is not reported on the financial statements.

**Deposits with Trustee**

The District is required to make monthly deposits into a trust account sufficient to service the upcoming debt requirements. This money is used to pay the semi-annual obligations on the bonds. At year end, the amount that had been included in those trust accounts totaled \$6,204,421.

**Rate Covenant Requirements**

The Series 2009B, 2010A, 2010B, and 2010C Bonds also have a rate covenant requirement. This requires the District to have revenues, excluding impact fees, in excess of 115% of the Aggregate Debt Service and repayment obligations, if any, and 100% of the amounts required to be deposited by the District into the Debt Service Reserve (accrued debt service) for the forthcoming fiscal year. The District met this requirement for the fiscal year ended December 31, 2017.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – BOND RESOLUTION COMPLIANCE (CONTINUED)**

Below is a table illustrating the reserves of the District and the method of funding the reserves:

	Cash Reserve Reported in Net Assets	Cash Reserve Offset by Debt	Reserve Funded with Insurance Policy
2000 Bonds - Reserve Account	\$ 254,500	\$ -	\$ -
2000 Bonds - Repair & Replacement	127,250	-	-
2008B Bonds - Reserve Account	586,562	-	-
2008B Bonds - Renewal & Replacement	322,926	-	-
2008C Bonds - Reserve Account	59,188	-	-
2017A and C Bonds - Reserve Account	606,213	-	-
2009B Bonds - Reserve Account	-	-	5,088,513
2010A Bonds - Reserve Account	-	-	3,547,950
2010B Bonds - Reserve Account	-	-	522,500
2010C Bonds - Reserve Account	-	-	3,045,678
Deposits with Trustee	6,204,421	-	-
Unspent bond proceeds for construction	-	-	-
	<u>\$ 8,161,060</u>	<u>\$ -</u>	<u>\$ 12,204,641</u>

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 8 – RISK MANAGEMENT**

Central Weber Sewer Improvement 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 for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonable foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials, excess liability, and workman’s compensation. As of December 31, 2017, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

A list of insurance policies in force at December 31, 2017 is as follows:

<b>Coverage</b>	<b>Policy Limits</b>	<b>Insurer</b>	<b>Expiration Date</b>
Blanket buildings and contents	217,354,228	Affiliated FM	1/15/2018
Earthquake	200,000,000	Affiliated FM	1/15/2018
Flood	100,000,000	Affiliated FM	1/15/2018
Business Interruption	1,000,000	Affiliated FM	1/15/2018
Employee Dishonesty	250,000	Travelers Indemnity	1/15/2018
General Liability	2,000,000	Affiliated FM	1/15/2018
Automobile Liability	1,000,000	Affiliated FM	1/15/2018
Umbrella Liability	5,000,000	Affiliated FM	1/15/2018
Workers Compensation	500,000	Workers Comp Fund	6/1/2018
Public Officials Bonds - Chair	350,000	Western Surety	1/15/2018
Public Officials Bonds - Manager	350,000	Western Surety	1/15/2018
Public Officials Bonds - Finance	1,000,000	Travelers Indemnity	1/15/2018
Public Officials Bonds - Blanket	36,000	Western Surety	1/15/2018
Employee Benefit Liability	3,000,000	Atlantic Specialty	1/15/2018
Public Officials Errors & Omissions	2,000,000	Atlantic Specialty	1/15/2018
Public Officials Employment Practices	2,000,000	Atlantic Specialty	1/15/2018

**NOTE 9 – LEGAL COMPLIANCE BUDGETS**

The budget for the fiscal year ending December 31, 2017, was approved and adopted by resolution or ordinance dated December 19, 2016. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 19, 2016. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 10 – PROPERTY TAX CALENDAR**

Lien date	Jan. 1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	June 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before June 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	June 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

**NOTE 11 – CONTINGENCIES**

The Sewer District is involved in various legal actions in which claims of varying amounts are being asserted against the District. The District follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of District management, these actions will not result in a significant effect on the District's financial position.

**NOTE 12 – PENSION PLAN**

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:

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.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 12 – PENSION PLAN (continued)**

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](http://www.urs.org).

**Benefits Provided:**

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

**Summary of Benefits by System**

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65*	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years 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 Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 12 – PENSION PLAN (continued)**

**Contributions:**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2017 as follows:

**Utah Retirement Systems**

	Employee	Employer	Employer 401(k)
<b>Contributory System</b>			
111 - Local Government Division Tier 2	N/A	15.11	1.58
<b>Noncontributory System</b>			
15 - Local Government Division Tier 1	N/A	18.47	N/A
<b>Tier 2 DC Only</b>			
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 year ended December 31, 2017, the employer and employee contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 225,207	N/A
Tier 2 Public Employees System	111,984	-
Total Contributions	\$ 337,191	\$ -

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.

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

At December 31, 2017, we reported a net pension asset of \$0 and a net pension liability of \$1,017,915.

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 12 – PENSION PLAN (continued)**

(Measurement Date): December 31, 2016

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 1,010,166	0.1573167%	0.1464277%	0.0108890%
Tier 2 Public Employees System	-	7,749	0.0694657%	0.0732342%	(0.0037685)%
	<u>\$ -</u>	<u>\$ 1,017,915</u>			

The net pension asset and liability was measure as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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 December 31, 2017, we recognized pension expense of \$392,495. At December 31, 2017, 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
Differences between expected and actual experience	\$ 21,942	\$ 33,917
Changes in assumptions	141,457	33,585
Net difference between projected and actual earnings on pension plan investments	227,427	67,485
Changes in proportion and differences between contributions and proportionate share of contributions	40,105	36,114
Contributions subsequent to the measurement date	<u>337,191</u>	<u>-</u>
Total	<u>\$ 768,122</u>	<u>\$ 171,101</u>

\$337,191 reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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:

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 12 – PENSION PLAN (continued)**

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2017	\$ 75,839
2018	76,715
2019	101,717
2020	3,038
2021	209
Thereafter	\$ 2,315

**Actuarial assumptions:**

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, 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 based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 12 – PENSION PLAN (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%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected arithmetic nominal return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.20 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. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 2,092,396	\$ 1,010,166	\$ 107,104
Tier 2 Public Employees System	52,744	7,749	(26,481)
Total	\$ 2,145,140	\$ 1,017,915	\$ 80,623

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

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**NOTE 12 – PENSION PLAN (continued)**

**Defined Contribution Savings Plans**

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.

Central Weber Sewer District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

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

<u>401(k) Plan</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer Contributions	\$ 113,119	\$ 112,974	\$ 112,951
Employee Contributions	41,567	48,710	44,154
<u>457 Plan</u>			
Employer Contributions	-	-	-
Employee Contributions	11,430	16,680	16,005
<u>Roth IRA Plan</u>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	17,630	14,700	12,799

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**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**UTAH RETIREMENT SYSTEMS**  
**DECEMBER 31, 2017**  
**with a measurement date of December 31, 2016**  
Last 10 fiscal years\*

		<u>Noncontributory System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the net pension liability (asset)	2017	0.1573167%	0.0694657%
	2016	0.1464277%	0.0732342%
	2015	0.1589579%	0.0768205%
Proportion share of the net pension liability (asset)	2017 \$	1,010,166	\$ 7,749
	2016 \$	828,559	\$ (160)
	2015 \$	690,233	\$ (2,328)
Covered employee payroll	2017 \$	1,250,153	\$ 569,676
	2016 \$	1,134,951	\$ 473,170
	2015 \$	1,270,036	\$ 376,767
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2017	80.8%	1.36%
	2016	73.0%	-0.03%
	2015	54.3%	-0.60%
Plan fiduciary net position as a percentage of the total pension liability	2017	87.3%	95.1%
	2016	87.8%	100.2%
	2015	90.2%	103.5%

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

See accompanying notes to required supplementary information

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
UTAH RETIREMENT SYSTEMS  
DECEMBER 31, 2017  
with a measurement date of December 31, 2016  
Last 10 fiscal years\*\***

	<b>As of fiscal year ended December 31,</b>	<b>Actuarial Determined Contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
Noncontributory System	2014	\$ 229,981	\$ 229,981	\$ -	\$ 1,286,332	17.88%
	2015	210,174	210,174	-	1,137,919	18.47%
	2016	230,903	230,903	-	1,250,153	18.47%
	2017	225,207	225,207	-	1,219,311	18.47%
Tier 2 Public Employees System*	2014	\$ 54,561	\$ 54,561	\$ -	\$ 377,187	14.47%
	2015	70,614	70,614	-	473,170	14.92%
	2016	84,939	84,939	-	571,510	14.86%
	2017	111,984	111,984	-	746,013	15.01%

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

\*\*Paragraph 81.b. of GASB 68 requires employees to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

See accompanying notes to required supplementary information

**CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
UTAH RETIREMENT SYSTEMS  
DECEMBER 31, 2017**

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Changes in Assumptions

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

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

To the Board of Trustees and Chief Executive Officer of  
Central Weber Sewer Improvement District

**Report On Compliance with General State Compliance Requirements**

We have audited Central Weber Sewer Improvement District’s compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Central Weber Sewer Improvement District for the year ended December 31, 2017.

General state compliance requirements were tested for the year ended December 31, 2017 in the following areas:

Budgetary Compliance	Open and Public Meetings Act
Utah Retirement Systems	Public Treasurer’s Bond

***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 Central Weber Sewer Improvement 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 Central Weber Sewer Improvement 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 Central Weber Sewer Improvement District’s compliance with those requirements.

***Opinion on General State Compliance Requirements***

In our opinion, Central Weber Sewer Improvement District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2017.

## Report On Internal Control Over Compliance

Management of Central Weber Sewer Improvement 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 Central Weber Sewer Improvement 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 Central Weber Sewer Improvement 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.

*Child, Richards CPAs & Advisors*

Ogden, Utah  
June 5, 2018

**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 Board of Trustees of  
Central Weber Sewer 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 the business-type activities of Central Weber Sewer Improvement District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Central Weber Sewer Improvement District's basic financial statements, and have issued our report thereon dated June 5, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Weber Sewer Improvement 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 Central Weber Sewer Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Weber Sewer Improvement 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 Central Weber Sewer Improvement 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.

*Child, Richards CPAs & Advisors*

Ogden, Utah  
June 5, 2018