

**JORDAN VALLEY WATER
CONSERVANCY DISTRICT**

**BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Years Ended June 30, 2013 and 2012

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

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Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA

Robert D. Wood, CPA
Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

*Members of the
American Institute
of Certified Public
Accountants*

*Members of the
Private Company
Practice Section*

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jordan Valley Water Conservancy District
West Jordan, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Jordan Valley Water Conservancy District ("the District") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Jordan Valley Conservancy District as of June 30, 2013 and 2012, and the change in financial position for the years 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 on pages 3-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 29, 2013

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis
June 30, 2013 and 2012

The following is a discussion and analysis of Jordan Valley Water Conservancy District's financial performance providing an overview of the District's financial activities for the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The total assets and deferred outflows of the District exceeded its liabilities by \$225,521,209
- Cash and cash equivalents decreased by \$6,823,687
- The District's net capital assets increased by \$5,538,718
- The District's long-term liabilities decreased by \$7,446,030
- The District's total net position increased by \$11,755,641
- The District's depreciation and amortization increased by \$1,161,031
- The District's intergovernmental revenue decreased by \$1,397,740

Overview of the financial statements

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are proprietary funds.

Proprietary funds

The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is to recover the costs of providing goods or services to the general public on a continuing basis primarily through user charges.

Notes to financial statements

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

Other information

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

**JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013 and 2012**

Financial statement analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the District, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$225,521,209 at the close of the most recent fiscal year.

Changes in net position

The following is a summary of the District's net position as of June 30:

	2013	2012	2011
Other assets and deferred outflows of resources	\$ 89,275,517	\$ 98,619,664	\$ 52,595,395
Capital assets, net	394,514,905	388,976,187	353,419,762
Total assets and deferred outflows of resources	483,790,422	487,595,851	406,015,157
Current liabilities	14,322,006	16,020,505	16,134,566
Long-term liabilities and deferred inflows of resources	243,947,207	257,809,778	193,524,930
Total liabilities and deferred inflows of resources	258,269,213	273,830,283	209,659,496
Fund net position:			
Net investment in capital assets	157,507,952	146,131,844	158,118,905
Restricted	21,776,273	35,305,544	14,826,735
Unrestricted	46,236,984	32,328,180	23,410,021
Total fund net position	\$ 225,521,209	\$ 213,765,568	\$ 196,355,661

The largest portion of the District's net position (69.84% in 2013, 68.36% in 2012 and 80.53% in 2011) reflects its investment in capital assets (e.g. land, buildings, water systems, equipment, and water rights) less any related debt used to acquire those assets that is still outstanding.

An additional portion of the District's net position (9.66% in 2013, 16.52% in 2012 and 7.55% in 2011) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for capital projects and debt service reserve accounts.

**JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013 and 2012**

Changes in net position (continued)

Another portion of the District's net position (20.50% in 2013, 15.12% in 2012 and 11.92% in 2011) are unrestricted and may be used to meet the District's obligations to customers, member agencies, employees and creditors.

The following is a summary of the District's changes in net position for the years ended June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Operating revenues - charges for services	\$ 40,738,668	\$ 40,097,418	\$ 32,666,550
Other revenues:			
Property taxes	13,571,572	13,327,419	13,229,107
Interest income	666,589	590,549	554,056
Intergovernmental	531,870	1,929,610	603,224
Other non-operating revenue	174,690	25,281	(114,415)
Total other revenues	<u>14,944,721</u>	<u>15,872,859</u>	<u>14,271,972</u>
Total revenues	<u>55,683,389</u>	<u>55,970,277</u>	<u>46,938,522</u>
Expenses:			
Operating expenses - general government	31,748,429	31,089,216	29,257,197
Depreciation and amortization	8,822,003	7,660,972	6,861,569
Interest expense	6,498,385	6,468,018	5,072,652
Total expenses	<u>47,068,817</u>	<u>45,218,206</u>	<u>41,191,418</u>
Income before contributions	8,614,572	10,752,071	5,747,104
Capital contributions	<u>3,141,069</u>	<u>6,657,836</u>	<u>8,497,472</u>
Change in net position	11,755,641	17,409,907	14,244,576
Net position, beginning of year	<u>213,765,568</u>	<u>196,355,661</u>	<u>182,111,085</u>
Net position, end of year	<u>\$ 225,521,209</u>	<u>\$ 213,765,568</u>	<u>\$ 196,355,661</u>

**JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013 and 2012**

Changes in net assets (continued)

The District's net position increased by \$11,755,641 and \$17,409,907 for the years ended June 30, 2013 and 2012, respectively. Key elements of this increase are as follows:

- Operating revenues increased by \$641,250 and \$7,430,868 for the years ended June 30, 2013 and 2012, respectively, due to the amount of water delivered.
- Depreciation and amortization increased by \$1,161,031 and \$799,403 for the years ended June 30, 2013 and 2012, respectively, due to the increase in capital assets.
- Interest expense increased by \$30,367 and \$1,395,366 for the years ended June 30, 2013 and 2012, respectively, due to the fluctuation of variable interest rates, and an increase in capitalized interest per GASB standards.
- Intergovernmental revenue decreased by \$1,397,740 and increased by \$1,326,386 for the years ended June 30, 2013 and 2012, respectively.
- Capital contributions decreased by \$3,516,767 and increased by \$1,839,636 for the years ended June 30, 2013 and 2012, respectively due to lower amounts received on the Southwest Groundwater Treatment Plant.
- Increases in expenses closely paralleled inflation and growth in the demand for services.

Capital assets

The District's investment in capital assets as of June 30, 2013 and 2012, amounted to \$394,514,905 and \$388,976,187, respectively (net of accumulated depreciation). This investment in capital assets includes the water system, land, administrative buildings and equipment, aqueduct rights and privileges, and investments in surface water resources.

Major capital asset events during the years ended June 30, 2013 and 2012, respectively, included the following:

- Investments in surface water resources of \$1,649,984 and \$6,419,039
- Increase in water lines and equipment of \$4,779,686 and \$32,384,776
- Increase in wells and equipment assets of \$371,266 and \$10,918,334
- Increase in office building of \$4,416,353 and \$6,183,342
- Increase in treatment plant of \$3,922,615 and \$62,313,355

**JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013 and 2012**

Capital assets (continued)

The following is a summary of the District's capital assets as of June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital assets:			
Utility plant in service, net	\$ 291,973,073	\$ 284,082,324	\$ 209,079,453
Construction in progress	2,451,234	5,594,843	51,175,054
Aqueduct rights and privileges, net	26,666,733	27,525,140	27,810,414
Investments in surface water resources	73,423,865	71,773,880	65,354,841
	<u>\$ 394,514,905</u>	<u>\$ 388,976,187</u>	<u>\$ 353,419,762</u>

Additional information on the District's capital assets can be found in note 4 of the notes to the financial statements.

Note receivable and deferred revenue

As part of the Southwest Jordan Valley Groundwater Project, the District has a receivable from the State of Utah in the amount of \$15,421,472, along with deferred revenue in the amount of \$9,040,439, these will be received and recognized over five years.

Long-term debt

The District had total debt outstanding, net of unamortized bond discount, premiums and deferred amounts of \$234,989,941 and \$242,324,700 as of June 30, 2013 and 2012, respectively. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), and notes payable.

The following is a summary of the District's long-term debt as of June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-term debt:			
Bonds payable	\$ 233,744,204	\$ 241,124,715	\$ 192,809,454
Notes payable	1,245,737	1,199,985	1,218,422
	<u>\$ 234,989,941</u>	<u>\$ 242,324,700</u>	<u>\$ 194,027,876</u>

The District has issued a portion of its revenue bonds through the Utah Water Finance Agency. The Utah Water Finance Agency is a cooperative formed with other state water districts and cities that come together to obtain bonds in an effort to achieve better economies of scale on issuance and other related costs.

The District's financial outlook continues to remain solid. Standard & Poor's assigned rating for the District is AA+, Moody's Investors Service has assigned a rating of Aa2, and Fitch Ratings has assigned the District a rating of AA.

**JORDAN VALLEY WATER CONSERVANCY DISTRICT
Management's Discussion and Analysis (Continued)
June 30, 2013 and 2012**

Long-term debt (continued)

In March of 2013, the District partially refinanced \$5,650,000 of its 2005B bonds. These new bonds bear fixed interest rates ranging from 2% to 4%, and mature through 2022. Additional information on the District's long-term debt can be found in note 5 of the notes to the financial statements.

The District signed a note payable in the amount of \$65,000 in June 2013 for an amount due on the purchase of land for the Central Utah Water Development Project.

Requests for Information

This financial report is designed to provide a general overview of Jordan Valley Water Conservancy District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the District in care of the Controller at 8215 South 1300 West, West Jordan, Utah 84088.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 29,300,967	\$ 22,590,262
Accounts receivable:		
Salt Lake County Treasurer - property tax collections	193,496	169,548
Water - wholesale billings (note 10)	6,983,440	6,667,431
Water - retail billings	1,185,985	1,736,002
Federal grants	38,448	1,550,924
Other	616,797	1,406,902
Inventories	392,925	337,098
Note receivable, current portion (note 3)	6,180,109	3,080,454
Total current assets	44,892,167	37,538,621
Noncurrent assets:		
Restricted assets (notes 2, 5):		
Cash and cash equivalents	17,305,868	30,840,260
Investments	7,145,405	4,465,284
Total restricted assets	24,451,273	35,305,544
Note receivable, long-term (note 3)	9,241,363	12,321,817
Capital assets, net (note 4)	394,514,905	388,976,187
Investments, long-term (note 2)	6,400	6,400
Bond issuance costs, net	1,618,874	1,716,588
Total noncurrent assets	429,832,815	438,326,536
Deferred outflows of resources:		
Effective interest rate swaps (note 5)	6,652,603	9,952,800
Deferred loss on refundings	2,412,837	1,777,894
	9,065,440	11,730,694
Total assets and deferred outflows of resources	\$ 483,790,422	\$ 487,595,851

(Continued)

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Statements of Net Position (Continued)
June 30, 2013 and 2012

	2013	2012
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u>		
<u>AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 2,189,341	\$ 3,988,864
Accrued interest payable	2,017,012	2,297,537
Accrued and other liabilities	609,830	589,701
Long-term debt, current portion (note 5)	9,026,163	8,646,468
Other long-term liabilities, current portion (notes 5, 12)	479,660	497,935
	14,322,006	16,020,505
Total current liabilities		
Long-term liabilities:		
Long-term debt, net of current portion (note 5)	225,963,778	233,678,232
Other long-term liabilities, net of current portion (notes 5, 12)	2,260,051	1,991,627
	228,223,829	235,669,859
Total long-term liabilities		
Total liabilities	242,545,835	251,690,364
Deferred inflows of resources:		
Fair value of interest rate swaps (note 5)	6,652,603	9,952,800
Deferred gain on interest rate swap	30,336	66,226
Unearned revenue, State of Utah (note 3)	9,040,439	12,120,893
	15,723,378	22,139,919
Total deferred inflows of resources		
Net position:		
Net investment in capital assets	157,507,952	146,131,844
Restricted (note 5):		
Renewal and replacement	339,480	337,195
Future debt service	19,037,418	18,061,293
Future capital projects	2,399,375	16,907,056
Unrestricted (note 6)	46,236,984	32,328,180
	225,521,209	213,765,568
Total net position		
Total liabilities, deferred inflows of resources, and net position	\$ 483,790,422	\$ 487,595,851

The accompanying notes are an integral part of these financial statements.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
<u>REVENUE</u>		
Operating revenues:		
Metered sales of water:		
Wholesale	\$ 34,347,763	\$ 33,441,341
Retail	4,940,159	5,539,267
Other	1,414,742	1,116,810
Total operating revenues	40,702,664	40,097,418
<u>EXPENSES</u>		
Operating expenses:		
Direct expenses:		
Water purchased	10,401,569	10,138,142
Operating and maintenance	10,986,372	10,337,057
General and administrative	10,360,488	10,614,017
Depreciation and amortization	8,822,003	7,660,972
Total operating expenses	40,570,432	38,750,188
Operating income	132,232	1,347,230
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
General property taxes	13,607,576	13,327,419
Interest income on investments	666,589	590,549
Net increase in the fair value of investments	6,842	8,417
Gain on sale of capital assets	167,848	16,864
Intergovernmental revenue	531,870	1,929,610
Interest expense	(6,498,385)	(6,468,018)
Total non-operating revenues, net	8,482,340	9,404,841
Income before capital contributions	8,614,572	10,752,071
Capital contributions	3,141,069	6,657,836
Change in net position	11,755,641	17,409,907
Net position, beginning of year	213,765,568	196,355,661
Net position, end of year	\$ 225,521,209	\$ 213,765,568

The accompanying notes are an integral part of these financial statements.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Statements of Cash Flows
June 30, 2013 and 2012

	2013	2012
<u>Cash flows from operating activities</u>		
Cash received from customers (including cash deposits)	\$ 41,010,458	\$ 33,432,370
Other operating cash receipts	2,204,847	1,005,293
Payments to suppliers of goods and services	(23,243,291)	(22,816,535)
Payments to employees and other operating cash payments	(13,304,885)	(13,557,779)
Net cash provided (used) by operating activities	6,667,129	(1,936,651)
<u>Cash flows from non-capital financing activities</u>		
Property tax revenue	13,607,576	13,327,419
Intergovernmental revenue	531,870	1,929,610
Net cash provided by non-capital financing activities	14,139,446	15,257,029
<u>Cash flow from capital and related financing activities</u>		
Bond issuance and other deferred costs	(767,398)	(547,249)
Premiums / discounts on bonds	661,360	4,175,638
Proceeds from new bonds issued and note payable	7,214,780	50,672,534
Capital contributions	3,141,069	6,657,836
Principal paid on revenue bonds and other contracts	(14,746,247)	(8,051,439)
Interest paid on revenue bonds and other contracts	(6,699,780)	(5,392,781)
Acquisition and construction of capital assets	(14,702,913)	(43,378,111)
Proceeds from sale of capital assets	275,556	19,080
Net cash (used) provided by capital and related financing activities	(25,623,573)	4,155,508
<u>Cash flow from investing activities</u>		
Interest income on investments	673,432	598,966
(Increase) decrease in restricted investments	(2,680,121)	(15,605)
Net cash (used) provided by investing activities	(2,006,689)	583,361
Net (decrease) increase in cash and cash equivalents	(6,823,687)	18,059,247
Cash and cash equivalents, beginning of year	53,430,522	35,371,275
Cash and cash equivalents, end of year	\$ 46,606,835	\$ 53,430,522

(Continued)

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Statements of Cash Flows (Continued)
June 30, 2013 and 2012

	2013	2012
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Operating income	\$ 132,232	\$ 1,347,230
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	8,822,003	7,660,972
Decrease (increase) in accounts receivable	2,512,641	(5,659,755)
Increase in note receivable, net	(3,099,655)	(3,281,378)
(Increase) decrease in inventories	(55,827)	94,659
(Decrease) increase in accounts payable	(1,799,523)	(2,435,995)
Increase in accrued liabilities	234,388	337,616
Total adjustments	6,614,027	(3,283,881)
Net cash provided (used) by operating activities	\$ 6,746,259	\$ (1,936,651)
<u>Cash and cash equivalents, as reported</u>		
Cash and cash equivalents	\$ 29,300,967	\$ 22,590,262
Cash and cash equivalents, restricted	17,305,868	30,840,260
Total cash and cash equivalents	\$ 46,606,835	\$ 53,430,522
<u>Capital and related financing activities not affecting cash</u>		
Increase in long-term debt from interest added to capital appreciation bonds	\$ 449,780	\$ 672,534
Deferred gain on interest rate swap termination	(30,336)	(53,039)
Deferred interest on refunding debt	103,720	103,720
Change in fair value of investments	(6,842)	(8,417)

The accompanying notes are an integral part of these financial statements.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jordan Valley Water Conservancy District, a Utah political subdivision, (“the District”) was organized on September 14, 1951, under the Utah Water Conservancy Act. The District encompasses an area of approximately 175 square miles in the western and southern regions of the Salt Lake Valley and the northern tip of Utah County in the State of Utah. The District changed its name in 1999 from Salt Lake County Water Conservancy District. The District is not a component unit of any other governmental entity, and it has one component unit, Jordan Valley Conservation Gardens Foundation.

The Jordan Valley Conservation Gardens Foundation (Foundation), a Utah 501(c)(3) not-for-profit organization, was organized on September 29, 2005. The Foundation was primarily organized to assist the District with development and operation of a regional education facility and resource on water conservation, and to expand the existing conservation demonstration gardens. The Foundation’s primary sources of revenues are grants and gifts. The Foundation is governed by the same Board of Trustees as the District, and is a component unit of the District, and its financial activity is reflected as a blended component unit in the District’s financial reports. There were no significant revenues or expenses in the Foundation for the years ended June 30, 2013 and 2012. A separate column to disclose the Foundation’s financial statements has not been included in this report as the amounts are considered to be immaterial. Separate financial statements for the Foundation may be obtained from the District’s headquarters.

The District is primarily a wholesaler of water to other agencies but also has a retail service area and provides irrigation water to the agricultural community. The main role of the District is to develop and purchase water where it is available, and treat and transport it to where it is needed, in order to ensure that an adequate water supply is available for its service area. The District has contracted with various cities and water improvement districts to supply water to them. Water is billed on the basis of the District's cost to provide such service.

The District is divided into eight divisions and is governed by a board of nine trustees from the divisions, one from each of seven divisions and two from the eighth division, who are appointed by the Governor of the State of Utah, subject to confirmation by the Utah State Senate.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation

The District has adopted the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Disclosures. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements resulting from the adoption of these statements are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation.

The District reports its water production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting

The District is an enterprise fund and its records are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property tax, sales tax, franchise tax, intergovernmental revenue, and investment earnings are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received.

Management estimates

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

Cash and cash equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost (on the first-in, first-out basis) or market.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that investments be reported at fair value in the accounting balance sheet, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less. Such investments may be reported at amortized costs. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement. The net change in the fair value of investments for the years ended June 30, 2013 and 2012 was an increase of \$6,842 and an increase of \$8,417, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the years.

Capital assets

Capital assets are stated at cost, except for donated capital assets, which are reported at their estimated fair value at the date of donation. Costs incurred for repairs and maintenance that do not extend the useful life of an asset are recorded as an expense in the statement of revenues, expenses, and changes in net assets. Additions, improvements, and betterments that provide future benefit and exceed the District's capitalization threshold of \$10,000 are recorded as capital assets in the balance sheet. Depreciation has been provided using the straight-line method over estimated useful lives as follows:

	<u>Life in Years</u>
Water lines and equipment	5 to 60 years
Treatment plant	40 years
Wells and equipment	40 years
Reservoirs	60 years
Telemetry	20 years
Office buildings	40 years
Office furniture and equipment	5 to 10 years
Vehicles and other equipment	4 to 10 years

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets (Continued)

No depreciation is provided on construction in progress until the asset is placed in service. Aqueduct rights and privileges are stated at cost. Amortization has been provided using the straight-line method over their estimated useful lives.

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

Bond issuance costs

Costs incurred in the issuance of bonds are deferred and amortized over the term of the related bonds using a method approximating the effective interest method.

Capital contributions

Capital contributions are comprised of the cost or appraised value of water lines installed by subcontractors, which become part of the water system at no cost to the District, as well as federal, state, and private contributions.

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All general liability, real property, and vehicles are insured through commercial policies. The District has established a self-insurance reserve to fund deductibles on the commercial policies. The amount of settlements did not exceed insurance coverage for the past three years for all policies.

Compensated absences

The District accrues unpaid annual leave, up to 320 hours, when earned by the employee. The District also accrues unpaid compensatory leave and sick leave, a portion of which can be converted to cash or annual leave at the end of the year, when earned by the employee. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted assets

Restricted assets are comprised of cash and investments restricted for future payments of principal and interest on debt service as well as bonds issued for capital construction purposes.

Property taxes

The property tax revenue of the District is levied, collected, and distributed by both Salt Lake and Utah Counties, as required by Utah State law. The District uses this property tax revenue to help fund its operations.

Operating and non-operating revenues

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services provided by the District. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interest rate swaps

The District may enter into interest rate swap agreements to modify interest rates on outstanding debt. Any gains or losses resulting from terminated interest rate swap agreements are deferred over the life of the related debt. The net interest expenditures resulting from these agreements and the deferred gain resulting from the termination of the interest rate swap are recorded as interest expense in the financial statements.

Impact fees

Impact fees are collected for use by the District for related capital projects. There were no outstanding impact fees collected for the years ended June 30, 2013 and 2012.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements and accompanying notes to conform to the 2013 presentation.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

Deposits

Cash and cash equivalents consisted of the following, as of June 30:

	2013	2012
Unrestricted:		
Cash on deposit - demand and money market	\$ 1,386,786	\$ 1,308,649
Utah Public Treasurer's Investment Fund (PTIF)	27,914,181	21,281,613
Total unrestricted cash and cash equivalents	29,300,967	22,590,262
Restricted:		
Cash on deposit - demand and money market	\$ 16,041	\$ -
Utah Public Treasurer's Investment Fund (PTIF)	17,289,827	30,840,260
Total restricted cash and cash equivalents	17,305,868	30,840,260
Total cash and cash equivalents	\$ 46,606,835	\$ 53,430,522

The District has committed, by board designation, cash and cash equivalents totaling \$28,513,763 and \$20,362,727, respectively, as of June 30, 2013 and 2012. The District maintains these committed funds for expenses related to operating and maintenance, revenue, development fee, capital projects, emergency reserve/self-insurance, conservation, general equipment, meter deposit, and Jordan Valley Conservation Gardens Foundation.

Certain of the District's assets are restricted by provisions of the revenue refunding bond and revenue bond resolutions (see Note 5). The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of, or guaranteed by, the United States Government.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

At June 30, 2013 and 2012, the District maintained cash balances of \$2,048,240 and \$2,466,487, respectively, in a local financial institution insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2013, all cash balances at this financial institution were insured by the FDIC.

Investments

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; bankers' acceptances; obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund. All investments held by the District at June 30, 2013 and 2012 comply with the provisions of the Act.

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

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

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

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investments (Continued)

The District had the following investments and maturities at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>< 1 year</u>	<u>6 - 10 years</u>
Unrestricted:			
Investment contracts backed			
U.S. Government Securities	\$ 6,400	\$ -	\$ 6,400
Total unrestricted	<u>6,400</u>	<u>-</u>	<u>6,400</u>
Restricted:			
Corporate Bonds	2,675,000	2,675,000	-
U.S. Treasury Notes	4,470,405	4,470,405	-
Total restricted	<u>7,145,405</u>	<u>7,145,405</u>	<u>-</u>
Total investments	<u>\$ 7,151,805</u>	<u>\$ 7,145,405</u>	<u>\$ 6,400</u>

The District had the following investments and maturities at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>< 1 year</u>	<u>6 - 10 years</u>
Unrestricted:			
Investment contracts backed			
U.S. Government Securities	\$ 6,400	\$ -	\$ 6,400
Total unrestricted	<u>6,400</u>	<u>-</u>	<u>6,400</u>
Restricted:			
Corporate Bonds	4,465,284	4,465,284	-
Total restricted	<u>4,465,284</u>	<u>4,465,284</u>	<u>-</u>
Total investments	<u>\$ 4,471,684</u>	<u>\$ 4,465,284</u>	<u>\$ 6,400</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

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.

The District had the following investments and quality ratings at June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Investment contracts backed			
U.S. Government Securities	\$ 6,400	\$ -	\$ 6,400
Corporate Bonds	2,675,000	2,675,000	-
U.S. Treasury Notes	4,470,405	-	4,470,405
 Total investments	 \$ 7,151,805	 \$ 2,675,000	 \$ 4,476,805

The District had the following investments and quality ratings at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Investment contracts backed			
U.S. Government Securities	\$ 6,400	\$ -	\$ 6,400
Corporate Bonds	4,465,284	4,465,284	-
 Total investments	 \$ 4,471,684	 \$ 4,465,284	 \$ 6,400

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

3. NOTE RECEIVABLE AND DEFERRED REVENUE

During 2012, the District recorded a note receivable from the State of Utah, related to the Southwest Jordan Valley Groundwater Project (see note 9), in the amount of \$15,402,271, to be received in installments over the next five years. In addition, deferred revenue of \$12,120,893 was recorded and will be recognized over the same five year period. The difference of \$3,281,378 was recorded as revenue during prior fiscal years. The fiscal 2013 portion was received during fiscal year 2014, therefore, a balance of \$15,402,271 remained receivable as of June 30, 2013 and 2012, respectively.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

4. CAPITAL ASSETS

The following is the capital asset activity for the year ended June 30, 2013:

	07/01/12	Increases	Decreases	06/30/13
Capital assets, not depreciated:				
Water systems land	\$ 31,407,874	\$ 300,059	\$ (105,960)	\$ 31,601,973
Office land	700,958	-	-	700,958
Construction in progress	5,594,843	2,451,234	(5,594,843)	2,451,234
Investments in surface water resources	71,773,880	1,649,985	-	73,423,865
Total capital assets, not depreciated	109,477,555	4,401,278	(5,700,803)	108,178,030
Capital assets, depreciated:				
Jordan aqueduct system	51,640,040	182,091	(304,656)	51,517,475
Source of supply	16,906,049	1,175,558	-	18,081,607
Water lines and equipment	136,646,386	5,972,101	-	142,618,487
Treatment plant	94,760,131	3,922,615	-	98,682,746
Wells and equipment	51,350,350	371,266	-	51,721,616
Reservoirs	15,741,741	135,843	(87,387)	15,790,197
Telemetry	8,022,094	-	-	8,022,094
Office buildings	15,359,052	4,416,353	-	19,775,405
Office furniture and equipment	1,863,689	49,301	-	1,912,990
Vehicles and other equipment	3,665,102	63,393	(338,460)	3,390,035
Capitalized interest	4,029,742	-	-	4,029,742
Total capital assets, depreciated	399,984,376	16,288,521	(730,503)	415,542,394
Less: accumulated depreciation:				
Jordan aqueduct system	(24,114,900)	(735,842)	-	(24,850,742)
Source of supply	(8,502,976)	(777,168)	-	(9,280,144)
Water lines and equipment	(24,764,483)	(2,487,425)	-	(27,251,908)
Treatment plant	(33,408,810)	(2,164,048)	-	(35,572,858)
Wells and equipment	(12,039,245)	(1,281,958)	-	(13,321,203)
Reservoirs	(3,941,905)	(319,010)	-	(4,260,915)
Telemetry	(3,627,795)	(359,887)	-	(3,987,682)
Office buildings	(4,436,066)	(471,227)	-	(4,907,293)
Office furniture and equipment	(1,504,458)	(99,217)	-	(1,603,675)
Vehicles and other equipment	(3,024,031)	(211,988)	336,712	(2,899,307)
Capitalized interest	(1,121,075)	(148,717)	-	(1,269,792)
Total accumulated depreciation	(120,485,744)	(9,056,487)	336,712	(129,205,519)
Net business-type capital assets	<u>\$ 388,976,187</u>	<u>\$ 11,633,312</u>	<u>\$ (6,094,594)</u>	<u>\$ 394,514,905</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

4. CAPITAL ASSETS (CONTINUED)

The following is the capital asset activity for the year ended June 30, 2012:

	07/01/11	Increases	Decreases	06/30/12
Capital assets, not depreciated:				
Water systems land	\$ 30,964,449	\$ 444,925	\$ (1,500)	\$ 31,407,874
Office land	700,958	-	-	700,958
Construction in progress	51,175,054	4,750,495	(50,330,706)	5,594,843
Investments in surface water resources	65,354,841	6,419,039	-	71,773,880
Total capital assets, not depreciated	148,195,302	11,614,459	(50,332,206)	109,477,555
Capital assets, depreciated:				
Jordan aqueduct system	51,192,487	447,553	-	51,640,040
Source of supply	16,802,831	103,218	-	16,906,049
Water lines and equipment	104,262,294	32,384,823	(731)	136,646,386
Treatment plant	62,313,355	32,446,776	-	94,760,131
Wells and equipment	40,432,016	10,918,334	-	51,350,350
Reservoirs	16,352,639	-	(610,898)	15,741,741
Telemetry	8,012,176	9,918	-	8,022,094
Office buildings	9,175,710	6,183,342	-	15,359,052
Office furniture and equipment	1,801,983	61,706	-	1,863,689
Vehicles and other equipment	3,559,259	149,586	(43,743)	3,665,102
Capitalized interest	4,029,742	-	-	4,029,742
Total capital assets, depreciated	317,934,492	82,705,256	(655,372)	399,984,376
Less: accumulated depreciation:				
Jordan aqueduct system	(23,382,073)	(732,827)	-	(24,114,900)
Source of supply	(7,627,389)	(875,587)	-	(8,502,976)
Water lines and equipment	(22,742,329)	(2,022,166)	12	(24,764,483)
Treatment plant	(31,917,425)	(1,491,385)	-	(33,408,810)
Wells and equipment	(10,926,640)	(1,112,605)	-	(12,039,245)
Reservoirs	(3,612,658)	(329,247)	-	(3,941,905)
Telemetry	(3,263,855)	(363,940)	-	(3,627,795)
Office buildings	(4,120,576)	(315,490)	-	(4,436,066)
Office furniture and equipment	(1,384,310)	(120,148)	-	(1,504,458)
Vehicles and other equipment	(2,760,419)	(307,355)	43,743	(3,024,031)
Capitalized interest	(972,358)	(148,717)	-	(1,121,075)
Total accumulated depreciation	(112,710,032)	(7,819,467)	43,755	(120,485,744)
Net business-type capital assets	<u>\$ 353,419,762</u>	<u>\$ 86,500,248</u>	<u>\$ (50,943,823)</u>	<u>\$ 388,976,187</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

4. CAPITAL ASSETS (CONTINUED)

Aqueduct rights and privileges

The District has acquired a contractual right to approximately 71% of the carrying capacity of the Jordan Aqueduct of the Bonneville Unit of the Central Utah Project (the Aqueduct) from the United States Department of Interior, Bureau of Reclamation (the Bureau) which constructed the aqueduct and retains indefinite title thereto. Rights and privileges of this carrying capacity have been capitalized at the amounts originally payable to the Bureau for construction of the Aqueduct.

5. LONG-TERM DEBT

The District has the following long-term debt outstanding at June 30:

	2013	2012
Water revenue bonds		
Series 2002C revenue bonds payable, dated October 31, 2002; interest payable semi-annually at 3.00% to 5.25%, maturing in annual installments through 2013	\$ -	\$ 570,000
Series 2005B revenue bonds payable, dated July 27, 2005; interest payable semi-annually at 3.25% to 5.00%, maturing in annual installments through 2016	1,915,000	8,150,000
Series 2007B revenue bonds payable, dated August 9, 2007; interest payable semi-annually at 4.25% to 5.00%, maturing in annual installments through 2018	3,900,000	4,580,000
Series 2009 A & B revenue bonds payable, dated September 23, 2009; interest payable semi-annually at 2.5% to 6.530%, maturing in annual installments through 2040	25,205,000	25,805,000
Series 2009C revenue bonds payable, dated February 24, 2010; 0.00% interest rate; maturing in annual installments through 2035	3,348,000	3,474,000
Series 2010A revenue bonds payable, dated January 19, 2010; 1.64% interest rate; maturing in annual installments through 2021	2,522,000	2,763,000
Series 2010C revenue bonds payable, dated November 18, 2010; interest payable semi-annually at 3.50% to 5.21%; maturing in annual installments through 2026	15,550,000	15,550,000
Series 2011B revenue bonds payable, dated November 21, 2011; interest payable semi-annually at 2.00% to 5.00%; maturing in annual installments through 2042	50,000,000	50,000,000

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

	2013	2012
Water revenue refunding bonds		
Series 1992 revenue refunding bonds payable, dated March 1, 1992; interest at 6.00% to 7.00%, capital appreciation bonds issued without coupons, with interest added to the outstanding balance semi-annually, maturing in annual installments through 2016	5,785,329	9,135,548
Series 2001 revenue refunding bonds payable, dated March 15, 2001; interest payable semi-annually at 3.20% to 5.25%; partially refunded in 2011 by Series 2011A Bonds; maturing in annual installments through 2013	-	70,000
Series 2005A revenue refunding bonds payable, dated March 2, 2005; interest payable semi-annually at 3.25% to 5.00%, maturing in annual installments through 2024	16,170,000	17,730,000
Series 2007A revenue refunding bonds payable, dated April 18, 2007; interest payable semi-annually at 4.00% to 5.00%, maturing in annual installments through 2029	14,675,000	14,715,000
Series 2008 B-1 revenue refunding bonds payable, dated April 22, 2008; interest payable monthly at a variable weekly rate (0.06% at June 30, 2013), maturing in annual installments beginning 2018 through 2038	64,665,000	64,665,000
Series 2010B revenue refunding bonds payable, dated November 18, 2010; interest payable semi-annually at 2.00%; maturing in annual installments through 2014	800,000	1,605,000
Series 2011A revenue refunding bonds payable, dated January 26, 2011; interest payable semi-annually at 2.00% to 5.00%; maturing in annual installments through 2026	16,945,000	16,945,000
Series 2013A revenue refunding bonds payable, dated March 7, 2013; interest payable semi-annually at 2.00% to 4.00%; maturing in annual installments through 2023	6,700,000	-
Total revenue and revenue refunding bonds	228,180,329	235,757,548
Other long-term debt		
Unamortized bond discount and premiums	5,563,875	5,367,167
Notes payable, dated October 14, 2009; interest compounded monthly at 4.40%, maturing in annual installments through 2030	452,737	471,985
Notes payable, dated September 10, 2009; simple interest compounded at 4.00%, annual interest only payments, with one principal payment at maturity in 2021	728,000	728,000
Note payable, dated June 26, 2013; simple interest compounded at 5.00%, maturing in one annual installment in June 2014	65,000	-
Total long-term debt	234,989,941	242,324,700
Less: current portion	(9,026,163)	(8,646,468)
Total long-term debt, net of current portion	225,963,778	233,678,232
Other long-term liabilities, net of current portion (see table on next page)	2,260,051	1,991,627
	\$ 228,223,829	\$ 235,669,859

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Long-term debt transactions for the fiscal year ended June 30, 2013 are as follows:

	07/01/12	Additions	Reductions	06/30/13	Due in One Year
Bonds Payable					
Revenue and revenue refunding bonds	\$ 235,757,548	\$ 7,149,780	\$ (14,726,999)	\$ 228,180,329	\$ 8,941,069
Other long-term debt					
Unamortized bond discount and premium:	5,367,167	661,360	(464,652)	5,563,875	-
Notes payable	1,199,985	65,000	(19,248)	1,245,737	85,094
Total long-term debt	<u>242,324,700</u>	<u>7,876,140</u>	<u>(15,210,899)</u>	<u>234,989,941</u>	<u>9,026,163</u>
Other long-term liabilities					
Compensated absences	1,226,222	512,718	(497,935)	1,241,005	479,660
Post-employment benefit obligation	1,263,340	235,366	-	1,498,706	-
Total other long-term liabilities	<u>2,489,562</u>	<u>748,084</u>	<u>(497,935)</u>	<u>2,739,711</u>	<u>479,660</u>
	<u>\$ 244,814,262</u>	<u>\$ 8,624,224</u>	<u>\$ (15,708,834)</u>	<u>\$ 237,729,652</u>	<u>\$ 9,505,823</u>

Long-term debt transactions for the fiscal year ended June 30, 2012 are as follows:

	07/01/11	Additions	Reductions	06/30/12	Due in One Year
Bonds Payable					
Revenue and revenue refunding bonds	\$ 193,118,014	\$ 50,672,534	\$ (8,033,000)	\$ 235,757,548	\$ 8,627,220
Other long-term debt					
Unamortized bond discount and premium:	1,573,053	4,175,638	(381,524)	5,367,167	-
Notes payable	1,218,422	-	(18,437)	1,199,985	19,248
Total long-term debt	<u>195,909,489</u>	<u>54,848,172</u>	<u>(8,432,961)</u>	<u>242,324,700</u>	<u>8,646,468</u>
Other long-term liabilities					
Compensated absences	1,140,536	553,778	(468,092)	1,226,222	497,935
Post-employment benefit obligation	1,011,380	300,631	(48,671)	1,263,340	-
Total other long-term liabilities	<u>2,151,916</u>	<u>854,409</u>	<u>(516,763)</u>	<u>2,489,562</u>	<u>497,935</u>
	<u>\$ 198,061,405</u>	<u>\$ 55,702,581</u>	<u>\$ (8,949,724)</u>	<u>\$ 244,814,262</u>	<u>\$ 9,144,403</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Future maturities of long-term debt are as follows for the fiscal years ending June, 30:

	Principal	Interest	Total
2014	\$ 9,026,163	\$ 8,066,166	\$ 17,092,329
2015	7,010,012	7,713,879	14,723,891
2016	7,373,126	7,386,000	14,759,126
2017	7,674,863	7,112,487	14,787,350
2018	8,445,868	6,831,600	15,277,468
2019 - 2023	47,588,035	29,896,033	77,484,068
2024 - 2028	52,248,690	21,209,213	73,457,903
2029 - 2033	35,258,309	13,642,217	48,900,526
2034 - 2038	37,891,000	6,937,645	44,828,645
2039 - 2042	16,910,000	1,569,081	18,479,081
Total	<u>\$ 229,426,066</u>	<u>\$ 110,364,321</u>	<u>\$ 339,790,387</u>

Variable interest rate

As of June 30, 2013, the variable interest rate on the Series B-1 Revenue Bonds was set at the weekly rate as defined in the official bond statement. The interest rate determination method for the bonds can be changed by the District to a daily rate, a commercial paper rate, or a long-term interest rate (all of which are defined in the official bond statement). The effective date of any change shall be the first day of the first interest period during which the bonds of such series shall bear interest at a rate determined by the new method.

Interest rate swap agreements

The District's long-term debt strategy is to maintain a mixture of fixed and variable-rate debt to take advantage of the two markets in order to effectively manage its debt, and to reduce its exposure to interest rate risk.

In January 2000, the District entered into an interest rate swap agreement for its fixed rate 1992 Series Revenue Refunding Bonds. Under the terms of the interest rate swap, the District swapped its fixed interest rate for a variable rate. In March 2001, the interest rate swap was terminated resulting in a net gain of \$1,980,000. Gains and losses realized upon settlement of these bonds are deferred and amortized to interest expense over the period relevant to the underlying bond. Amortization of the deferred gain on the termination of the interest rate swap agreement reduced interest expense, for the years ended June 30, 2013 and 2012, by \$35,890 and \$53,039, respectively.

The District has two swap agreements with The Bank of New York Mellon (BNY) to swap the variable rate for a fixed rate of interest. The swap amounts are \$16,200,000 and \$20,300,000 representing partial amounts of the \$64,665,000 Series B-1 bond. The BNY swap agreements maintain 3.356% and 3.790% fixed rates of interest, and will expire on October 1, 2035 and 2033, respectively.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Fair Value

The District entered into two swap agreements related to the Series B-1 bonds, with fair values of \$(2,606,213) and \$(4,046,390) at June 30, 2013 and \$(4,114,316) and \$(5,838,484) at June 30, 2012, as calculated under the terms and conditions of the ISDA Master Agreement with its accompanying Schedule and Confirmation (the Swap Agreement). The swap provider, BNY, is the Calculation Agent.

Credit Risk

Credit risk is the risk that a counterparty will not fulfill its obligations. As of June 30, 2013, the District was exposed to credit risk in the amount of the swap's fair value (as noted above) in the event the swap agreements are terminated and BNY fails to make the termination payment. The obligations of BNY are covered by an insurance policy issued by the bank. As of June 30, 2013, BNY was rated Aaa and AA by Moody's Investor Service and Standard and Poor's, respectively. To mitigate credit risk, if BNY's credit quality falls below Aa/AA, respectively, the fair value of the swap would be fully collateralized with U.S. government securities. Collateral would be posted with the Trustee.

Basis Risk

Basis risk is the risk that the interest rate paid by the District on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The District bears basis risk on its swap. The swap has basis risk since the District receives a percentage of LIBOR to offset the actual variable bond rate the District pays on its bonds. The District is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the District pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Termination Risk

The District may terminate the swap at any time. BNY may terminate the swap if the District fails to perform under the terms of the Swap Agreement. The District will be exposed to variable rates if the provider to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the District's making or receiving a termination payment based on market interest rates at the time of termination. If at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt

Using rates as of June 30, 2013, debt service requirements of the Series B-1 bonds and the related net swap payments, assuming current interest rates remain the same, are shown in the table below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Swap Payments and Associated Debt (Continued)

These payments below are included in the future maturities of long-term debt above, for the fiscal years ended, June 30:

	Variable-rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net Interest	
2014	\$ -	\$ 38,800	\$ 1,291,040	\$ 1,329,840
2015	-	38,800	1,291,040	1,329,840
2016	-	38,800	1,291,040	1,329,840
2017	-	38,800	1,291,040	1,329,840
2018	1,000,000	38,800	1,291,040	2,329,840
2019 - 2023	11,200,000	174,800	5,998,340	17,373,140
2024 - 2028	20,000,000	128,600	4,525,600	24,654,200
2029 - 2033	15,800,000	74,540	2,294,573	18,169,113
2034 - 2038	16,665,000	22,380	252,533	16,939,913
Total	\$ 64,665,000	\$ 594,320	\$ 19,526,246	\$ 84,785,566

Prior-year defeasance of debt

In prior years, the District advance refunded (defeased) certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds until the call date. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013 and 2012, \$13,187,125 and \$14,475,550 of bonds outstanding are not included in the District's financial statements and are considered defeased, respectively.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Current Refunding

On March 7, 2013, the District issued \$6,700,000 of revenue refunding bonds, series 2013A, with an interest rate ranging from 2.00% - 4.00%, to partially refund \$5,650,000 of series 2005B water revenue refunding bonds with an average interest rate of 4.125%. The series 2013A bonds mature in 2023. The unamortized premium, and issuance costs of the refunded bonds were \$202,756 at the date of the refunding.

Optional redemption and redemption prices

Certain bonds are subject to redemption at the election of the District, in whole or in part, from such maturities or parts thereof as shall be selected by the District, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date. The following is a summary of the bonds that are subject to redemption, and when they may be redeemed.

Bond Series	Bonds subject to redemption: maturing on or after	Bonds may be redeemed on or after
2005A	October 01, 2015	April 01, 2015
2007A	October 01, 2018	October 01, 2017
2009AB	October 01, 2020	October 01, 2019
2010C	October 01, 2021	October 01, 2020
2011A	October 01, 2021	October 01, 2020
2011B	October 01, 2021	April 01, 2021
2013A	October 01, 2023	April 01, 2023

The District has the right to purchase bonds in lieu of certain redemptions, related to its series B-1 variable rate bonds. All redemptions and purchases in lieu of redemption will be paid in funds immediately available on the redemption or purchase date at a redemption or purchase price of 100% of the principal amount of the bonds being redeemed or purchased plus accrued interest, if any, to the relevant redemption or purchase date.

The following are selected provisions of the revenue refunding and revenue bond resolutions:

Pledge of the Bond Resolutions

The Bond Resolutions provide that the Bonds shall be special obligations of the District payable solely from and secured by: i) the proceeds of sale of the Bonds; ii) all revenues, connection fees, income, rents, and receipts attributable to the water supply and distribution system (the System), except taxes levied to provide for operation and maintenance costs, and income from investments of any monies held pursuant to the Resolutions, except monies held in the Construction Fund; and iii) all funds, other than the Operation and Maintenance Fund, established by the Resolutions. The Resolutions do not require the District to pledge any property constituting part of the System.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Funds required by the Bond Resolutions

The Resolutions require that certain "funds" be established to account for the District's receipts and disbursements. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the Resolutions as described below. Funds held by the trustee have been restricted and corresponding amounts of retained earnings have been reserved.

Revenue Fund (held by the District)

This fund initially receives revenues, excluding property taxes, and disburses them to the Principal and Interest Fund and then to the Renewal and Replacement Fund. Any remaining revenues may be applied at the determination of the District to: (1) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds; (2) payments of principal or redemption price of an interest on any Bonds, including general obligation or junior lien revenue bonds of the District, issued to acquire improvements or extensions to the System; (3) payments into the bond project funds; (4) payment of the cost of capital improvements to the System and (5) any other lawful purpose of the issuer. The District is required to have, on deposit, 25 percent of total annual debt service at all times (\$3,711,659 at June 30, 2013). At June 30, 2013, the balance of cash and investments in the fund was \$3,748,171.

Operation and Maintenance Fund (held by the District)

This fund pays all costs of operations and maintenance as appropriated in the annual budget. The District is required to have, on deposit, sufficient funds to efficiently operate and maintain its system for three calendar months (\$2,800,000 at June 30, 2013). Property tax revenues are received directly into this fund. At June 30, 2013, the balance of cash and investments in the fund was \$3,592,697.

Renewal and Replacement Funds (held by the District)

These funds pay for extraordinary operation and maintenance costs, contingencies, and any other costs of additional facilities not covered by the proceeds of insurance or other recoverable monies. In the event a deficiency arises in the Principal and Interest Fund, monies in the Renewal and Replacement Funds shall be transferred to this fund to satisfy the deficiency. Any remaining funds not used to satisfy the deficiency, or not needed for any purpose for which this fund was established, shall be deposited into the Revenue Fund. At June 30, 2013, the balances of cash and investments in these funds were \$148,899 and \$108,188 held in bond renewal and replacement accounts.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

5. LONG-TERM DEBT (CONTINUED)

Principal and Interest Funds (held by the Trustee)

These funds hold any debt service reserve amounts and pay all interest and principal related to the Bonds. The debt service reserve requirement is equal to the average annual debt service on the bonds at the time of issuance. At June, 30 2013, the total balance of cash and investments in these funds were \$19,036,776.

Bond Project Funds (held by the Trustee)

These funds hold and disburse bond proceeds for the acquisition costs of construction projects. At June 30, 2013, the balance of cash and investments was \$2,399,375.

Restricted assets

Restricted assets represent cash and investments and related accrued interest receivable restricted for purposes of the Renewal and Replacement Fund, Jordan Valley Water Treatment Plant Maintenance Fund, Jordan Aqueduct Maintenance Fund, Bond Projects Fund, Bond cash accounts, and Principal and Interest Funds (see Note 2).

Restricted net position

Net position for certain restricted assets has been reserved as follows for the year ended June 30:

	2013	2012
Renewal and Replacement Fund	\$ 148,899	\$ 147,897
Jordan Valley Water Treatment Plant Maintenance Fund	82,393	81,839
Jordan Aqueduct Maintenance Fund	108,188	107,459
Bond project funds	2,399,375	16,907,056
Bond cash accounts	642	614
Principal and Interest Funds:		
1992 Reserve	2,373,587	2,359,904
2005A Reserve	2,112,859	2,105,380
B-1 Reserve	4,747,261	4,747,261
2009A/B Reserve	2,060,597	2,061,127
2009C Reserve	63,314	31,551
2010A Reserve	143,761	71,658
2010B/C Reserve	1,571,785	1,572,192
2011A Reserve	1,609,365	1,609,782
2011B Reserve	3,501,297	3,501,824
2013A Reserve	852,950	-
	<u>\$ 21,776,273</u>	<u>\$ 35,305,544</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

6. UNRESTRICTED NET POSITION

The following “funds” have been established by board designation and the amounts held in these funds committed for the purposes stipulated. Such “funds” are accounts within the District’s records and are not separate funds or groups of self-balancing accounts.

Bond Covenant - Minimum Balances

As explained in the previous note, the District’s bond resolutions require that a minimum balance be maintained in the Revenue Fund and Operation and Maintenance Fund.

Development Fee Fund

This fund was established to receive retail connection fees that will be used to fund expansion or improvements to the retail system. The balance in this fund is determined by connection and development fees collected, less any expenditures.

Capital Projects Fund

Capital projects, authorized by the Board, are paid from this fund. Bond proceeds are transferred into the fund as projects are completed. Additional funding, as designated by the Board, may be made from other District funds.

Emergency Reserve / Self Insurance Fund

This fund was established to reserve assets to pay for all self-insured claims and supplemental insurance premiums. In addition, this fund will be used to begin repairs in the case of catastrophic events.

General Equipment Fund

This fund facilitates the budgeting and funding of vehicles and other depreciable equipment. Expenditures from the fund are authorized by the Board during the budgeting process.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

6. UNRESTRICTED NET POSITION (CONTINUED)

Meter Deposit Fund

This fund was established to receive deposits on new retail water accounts, specifically from commercial customers. When an account is terminated, a refund of the deposit amount will be made to the customer if there is no outstanding balance owing on the account. This fund is held in a separate, non-interest bearing, account.

Uncommitted Net Position

The uncommitted net position consisted of cash and cash equivalents from the Operation and Maintenance, and Revenue Funds that were in excess of the minimum balances from bond covenants, as well as other current assets and current liabilities. Uncommitted net position may fluctuate from year to year based upon the balances in those accounts. Following approval of the audited financial statements, an amount approximating net income will be committed by board designation and transferred to various funds.

Unrestricted net position is as follows as of June 30:

	<u>2013</u>	<u>2012</u>
Committed:		
Bond covenant - minimum balances	\$ 6,511,659	\$ 6,465,329
Capital projects fund	19,008,505	11,060,400
Emergency reserve / self-insurance fund	2,485,871	2,446,206
General equipment fund	133,424	134,263
Meter deposit fund	38,354	37,554
Jordan Valley Conservation Gardens Foundation	335,950	218,975
Uncommitted	<u>17,723,221</u>	<u>11,965,453</u>
Total unrestricted net assets	<u>\$ 46,236,984</u>	<u>\$ 32,328,180</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

7. RETIREMENT PLANS

Plan description

The District contributes to the Local Governmental Contributory Retirement System (Contributory System) and Retirement plans Local Governmental Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing, multiple-employer, defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Systems and plans. Chapter 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake District, Utah 84102 or by calling 1-800-365-8772.

Funding policy

Plan members of the Contributory System are required to contribute 6.00% of their covered salary (all or part may be paid by the employer) to the plan. The District was required to contribute 12.03% and 16.04% of covered salary to the Contributory and Noncontributory Systems, respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the various Systems for the years ended June 30, 2013 and 2012 and 2011 for the Contributory System were \$49,125, \$32,808, and \$30,824, respectively, and for the Noncontributory System the contributions were \$1,179,197, \$1,024,816, and \$970,914, respectively. The contributions were equal to the required contributions for each year.

Defined contribution money purchase pension plan

The District has a defined contribution retirement plan, in lieu of participation in the Social Security system, which is funded by contributions from the District and its employees. All permanent and full-time employees participate in the plan. The District's contribution rate to the retirement plan is the same contribution rate the Federal Insurance Contribution Act (FICA) requires for Social Security tax, as may be changed periodically by Congress. The plan is administered for the District by Fidelity Investments. The District's contribution to this plan was \$917,809 and \$788,739 for the years ended June 30, 2013 and 2012, respectively.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

8. DEFERRED COMPENSATION PLANS

The District offers its employees deferred compensation plans created in accordance with the Internal Revenue Code Sections 457 compensation and 401(k) and Roth IRA (the Plans). The Plans, administered by the Systems and available to all District employees, permits an employee to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

The employer contributions to the Plans for the years ended June 30, 2013 and 2012 for the 457 plan were \$37,120 and \$33,513, respectively and for the 401(k) plan the contributions were \$49,050 and \$36,218, respectively. The employee contributions to the Plans for the years ended June 30, 2013 and 2012 for the 457 plan were \$137,598 and \$127,481, respectively, and for the 401(k) plan the contributions were \$17,888 and \$10,797, respectively. The employee contributions to the Plans for the years ended June 30, 2013 and 2012 for the Roth IRA plan were \$3,330 and \$4,036, respectively.

The Plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the Systems' report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake District, Utah 84102 or by calling 1-800-365-8772.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The District has an agreement to purchase municipal and industrial water (Project Water) from Central Utah Water Conservancy District (CUWCD) developed under the Bonneville Unit of the Central Utah Project. Under the agreement, the District will receive an average annual allotment of 50,000 acre-feet of Project Water, through eight individual block notices, at an estimated average price of \$146.00 per acre-foot, excluding various facility operating and maintenance costs, until the water allotted to the District by CUWCD is paid in full. This is expected to occur between the years 2037 and 2047, according to the individual block notices. The price of Project Water after the repayment period has not yet been estimated.

For the years ended June 30, 2013 and 2012, 56,541 and 41,536 acre-feet of Project Water was delivered to the District, respectively. Under a separate contract, the District has returned 6,300 acre-feet of Project Water to CUWCD each year for Provo River fishery flows to assist in meeting CUWCD's conservation goal under Section 207 of the Central Utah Completion Act. This has reduced the District's repayment obligation for Project Water proportional to the amount returned to CUWCD.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The District executed an agreement with the Welby Jacob Water Users Company in 1988, and an amended agreement in 1991, to implement the Welby Jacob Exchange. Under the Welby Jacob Exchange, the District must deliver 40,000 acre-feet of water, either pumped Utah Lake water or Provo River water, to the Welby and Jacob canals each year. Under this amended agreement, the District delivered to the Welby and Jacob canals 31,557 and 34,610 acre-feet, of which, 31,557 and 12,065 acre-feet were pumped, for the years ended June 30, 2013 and 2012, respectively. In return, the District received approximately 13,725 and 55,084 acre-feet for the years ended June 30, 2013 and 2012, respectively, of high quality Provo River water for use in its municipal system or used for irrigation.

The District has an informal agreement with Metropolitan Water District of Salt Lake and Sandy (Metropolitan) to purchase, if available, surplus water. The District had water purchases of \$384,579 and \$399,589 for the years ended June 30, 2013 and 2012, respectively, under this agreement.

The District and Metropolitan executed an operation and maintenance agreement with Central Utah Water Conservancy District (CUWCD) in 1993, which provides for CUWCD to convey title to the Jordan Valley Water Treatment Plant (JVWTP) and Terminal Reservoir without further consideration to the District and Metropolitan by special warranty deed upon Jordanelle Reservoir becoming operational (when the United States Bureau of Reclamations block notices total 50,000 acre-feet), or upon completion of the Terminal Reservoir expansion, whichever occurs later. In July 2007, title to these two facilities was successfully conveyed by CUWCD to the District and Metropolitan. Under the terms of the special warranty deed, the District now owns 71.4% and Metropolitan now owns 28.6% of the JVWTP and Terminal Reservoir.

The agreement also provides for the operation and maintenance of the JVWTP and Terminal Reservoir by the District under the direction of a management committee, comprised of two members appointed by the District, two members appointed by Metropolitan, and one member appointed by CUWCD. Operation costs are apportioned on the basis of the volume of water (acre feet) treated and stored for the District and for Metropolitan, and maintenance costs are apportioned 71.4% to the District and 28.6% to Metropolitan. Capital improvement costs will require approval of the District and Metropolitan, and if incurred, will be apportioned on the basis of benefits as determined by the management committee.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The District has entered into agreements with Kennecott Utah Copper (Kennecott), and the Trustee for Natural Resources for the State of Utah to construct the Southwest Jordan Valley Groundwater Project (SWJVGWP). The project will treat contaminated groundwater and distribute it to communities impacted by the contamination. As part of the project, Kennecott built and operates the Bingham Canyon Water Treatment Plant, which began operation in 2006, and annually produces approximately 3,500 acre-feet of treated groundwater delivered to the District. The District built and will operate the Southwest Groundwater Treatment Plant (SWGWTP), and related infrastructure, which began operations during the year. The SWGWTP will annually produce approximately 4,735 acre-feet treated groundwater delivered to the District's member agencies. The SWJVGWP agreements require Kennecott and the District to operate both treatment plants for 40 years. As stated in note 3, the District recorded a note receivable and related deferred revenue that will be received and recognized over the next four years.

As of June 30, 2013, the District was involved in various lawsuits in the normal course of its operations. The District's management believes the outcome of these lawsuits will not have a material adverse effect on the District's financial statements.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

10. MAJOR CUSTOMERS OR SUPPLIERS AND RELATED PARTIES

Significant transactions and balances with major customers or suppliers and related parties with common directors or officers not otherwise disclosed are as follows for the fiscal years ended June 30:

	2013	2012
Accounts receivable:		
City of West Jordan	\$ 1,981,332	\$ 2,090,197
Granger-Hunter Improvement District	1,346,732	1,374,296
City of South Jordan	1,074,552	1,087,623
Kearns Improvement District	1,033,107	965,278
Herriman City	591,291	384,451
Metropolitan Water District of Salt Lake and Sandy	309,043	1,191,439
Draper City	275,477	278,353
Bluffdale City	232,254	123,917
Taylorsville-Bennion Improvement District	197,373	211,165
Metered sales of water:		
Granger-Hunter Improvement District	8,742,620	8,720,484
City of West Jordan	7,479,746	7,222,642
City of South Jordan	6,399,623	6,170,310
Kearns Improvement District	3,877,147	3,526,518
Taylorsville-Bennion Improvement District	1,708,707	1,989,022
Herriman City	1,895,758	1,740,824
Draper City	1,573,768	1,669,230
Bluffdale City	789,164	746,551
Water purchase, treatment, and delivery:		
Central Utah Water Conservancy District	6,754,412	7,044,882
Kennecott Utah Copper	593,842	573,655
Metropolitan Water District of Salt Lake and Sandy	384,579	599,755

11. SUBSEQUENT EVENTS

The District evaluated all events or transactions that occurred after June 30, 2013 through October 29, 2013, the date the District issued these financial statements. During this period, the District did not have any additional material recognizable subsequent events.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

12. POSTRETIREMENT HEALTH CARE BENEFITS

Plan Description

In addition to the retirement benefits described in note 6, the District explicitly subsidizes retiree health care coverage for eligible employees until Medicare eligibility in accordance with plan provisions. The benefits and benefit levels are governed by District policy and can be amended at any time. The plan does not issue a separate report.

Funding Policy

The District currently pays for postemployment benefits on a "pay-as-you-go" basis. These financial statements assume that "pay-as-you-go" funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the fiscal years ended June 30:

	2013	2012
Annual required contribution	\$ 288,089	\$ 300,369
Annual OPEB cost (expense)	288,417	300,631
Contributions made	(53,051)	(48,671)
Increase in net OPEB obligation	235,366	251,960
Net OPEB obligation—beginning of year	1,263,340	1,011,380
Net OPEB obligation—end of year	\$ 1,498,706	\$ 1,263,340

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

12. POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, are as follows:

	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB
2013	\$ 288,417	\$ 53,051	18.4%	\$ 235,366
2012	300,631	48,671	16.2%	251,960

Funded status and funding progress

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 3,031,523
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 3,031,523
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 7,854,701
UAAL as a percentage of covered payroll	38.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress above presents the results of OPEB valuations as of June 30, 2013 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements (Continued)
June 30, 2013 and 2012

12. POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In the June 30, 2013 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.0% unfunded discount rate and an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 5.00% after 8 years. The actuarial value of assets was not determined as the District has not advance funded its obligations. The UAAL is being amortized as a level percentage of payroll over an open thirty year period.

SUPPLEMENTARY SCHEDULES

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Bonds

2005B Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 610,000	\$ 61,675	\$ 671,675	\$ 1,305,000
2015	640,000	38,175	678,175	665,000
2016	665,000	13,300	678,300	-
Total	<u>\$ 1,915,000</u>	<u>\$ 113,150</u>	<u>\$ 2,028,150</u>	

2007B Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 700,000	\$ 169,250	\$ 869,250	\$ 3,200,000
2015	750,000	138,438	888,438	2,450,000
2016	800,000	102,500	902,500	1,650,000
2017	800,000	62,500	862,500	850,000
2018	850,000	21,250	871,250	-
Total	<u>\$ 3,900,000</u>	<u>\$ 493,938</u>	<u>\$ 4,393,938</u>	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Bonds (Continued)

2009A&B Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 575,000	\$ 972,018	\$ 1,547,018	\$ 24,630,000
2015	600,000	956,831	1,556,831	24,030,000
2016	605,000	936,731	1,541,731	23,425,000
2017	625,000	915,256	1,540,256	22,800,000
2018	650,000	892,881	1,542,881	22,150,000
2019	660,000	870,078	1,530,078	21,490,000
2020	680,000	849,734	1,529,734	20,810,000
2021	700,000	827,658	1,527,658	20,110,000
2022	725,000	803,706	1,528,706	19,385,000
2023	750,000	778,078	1,528,078	18,635,000
2024	780,000	750,746	1,530,746	17,855,000
2025	810,000	720,489	1,530,489	17,045,000
2026	840,000	687,617	1,527,617	16,205,000
2027	875,000	653,450	1,528,450	15,330,000
2028	910,000	617,888	1,527,888	14,420,000
2029	950,000	580,833	1,530,833	13,470,000
2030	985,000	542,283	1,527,283	12,485,000
2031	1,030,000	501,469	1,531,469	11,455,000
2032	1,070,000	458,267	1,528,267	10,385,000
2033	1,115,000	413,316	1,528,316	9,270,000
2034	1,165,000	366,411	1,531,411	8,105,000
2035	1,210,000	317,551	1,527,551	6,895,000
2036	1,265,000	265,812	1,530,812	5,630,000
2037	1,320,000	210,952	1,530,952	4,310,000
2038	1,375,000	153,757	1,528,757	2,935,000
2039	1,435,000	94,122	1,529,122	1,500,000
2040	1,500,000	31,834	1,531,834	-
Total	\$ 25,205,000	\$ 16,169,768	\$ 41,374,768	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Bonds (Continued)

2009C Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 126,000	\$ -	\$ 126,000	\$ 3,222,000
2015	126,000	-	126,000	3,096,000
2016	126,000	-	126,000	2,970,000
2017	157,000	-	157,000	2,813,000
2018	157,000	-	157,000	2,656,000
2019	157,000	-	157,000	2,499,000
2020	157,000	-	157,000	2,342,000
2021	157,000	-	157,000	2,185,000
2022	157,000	-	157,000	2,028,000
2023	157,000	-	157,000	1,871,000
2024	157,000	-	157,000	1,714,000
2025	157,000	-	157,000	1,557,000
2026	157,000	-	157,000	1,400,000
2027	157,000	-	157,000	1,243,000
2028	157,000	-	157,000	1,086,000
2029	157,000	-	157,000	929,000
2030	157,000	-	157,000	772,000
2031	157,000	-	157,000	615,000
2032	157,000	-	157,000	458,000
2033	157,000	-	157,000	301,000
2034	157,000	-	157,000	144,000
2035	144,000	-	144,000	-
Total	<u>\$ 3,348,000</u>	<u>\$ -</u>	<u>\$ 3,348,000</u>	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Bonds (Continued)

2010A Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 244,000	\$ 26,885	\$ 270,885	\$ 2,278,000
2015	249,000	24,283	273,283	2,029,000
2016	325,000	21,629	346,629	1,704,000
2017	330,000	18,165	348,165	1,374,000
2018	335,000	14,647	349,647	1,039,000
2019	341,000	11,076	352,076	698,000
2020	346,000	7,441	353,441	352,000
2021	352,000	3,752	355,752	-
Total	\$ 2,522,000	\$ 127,878	\$ 2,649,878	

2010C Series Revenue Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ -	\$ 478,655	\$ 478,655	\$ 15,550,000
2015	-	478,655	478,655	15,550,000
2016	-	478,655	478,655	15,550,000
2017	-	478,655	478,655	15,550,000
2018	80,000	477,745	557,745	15,470,000
2019	-	476,835	476,835	15,470,000
2020	1,360,000	459,332	1,819,332	14,110,000
2021	1,515,000	421,838	1,936,838	12,595,000
2022	1,465,000	381,089	1,846,089	11,130,000
2023	1,625,000	335,983	1,960,983	9,505,000
2024	2,655,000	270,132	2,925,132	6,850,000
2025	2,575,000	186,700	2,761,700	4,275,000
2026	4,275,000	72,386	4,347,386	-
Total	\$ 15,550,000	\$ 4,996,660	\$ 20,546,660	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds

1992 Series Revenue Refunding Bonds (Capital appreciation bond)

Year ended June 30,	Balance at Beginning of Year	Interest Added	Debt Service Payments	Balance at End of Year
2014	\$ 5,785,329	\$ 238,932	\$ 3,800,000	\$ 2,224,261
2015	2,224,261	110,966	1,175,000	1,160,227
2016	1,160,226	14,774	1,175,000	-
Total		<u>\$ 364,672</u>	<u>\$ 6,150,000</u>	

2005A Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 1,645,000	\$ 758,875	\$ 2,403,875	\$ 14,525,000
2015	1,730,000	674,500	2,404,500	12,795,000
2016	1,810,000	586,000	2,396,000	10,985,000
2017	1,900,000	493,250	2,393,250	9,085,000
2018	2,000,000	395,750	2,395,750	7,085,000
2019	3,130,000	267,500	3,397,500	3,955,000
2020	715,000	171,375	886,375	3,240,000
2021	750,000	134,750	884,750	2,490,000
2022	790,000	96,250	886,250	1,700,000
2023	830,000	57,825	887,825	870,000
2024	870,000	19,575	889,575	-
Total	<u>\$ 16,170,000</u>	<u>\$ 3,655,650</u>	<u>\$ 19,825,650</u>	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds (Continued)

2007A Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 640,000	\$ 645,875	\$ 1,285,875	\$ 14,035,000
2015	670,000	616,325	1,286,325	13,365,000
2016	700,000	582,075	1,282,075	12,665,000
2017	740,000	546,075	1,286,075	11,925,000
2018	775,000	508,200	1,283,200	11,150,000
2019	800,000	471,825	1,271,825	10,350,000
2020	845,000	437,925	1,282,925	9,505,000
2021	880,000	403,425	1,283,425	8,625,000
2022	920,000	366,275	1,286,275	7,705,000
2023	965,000	325,013	1,290,013	6,740,000
2024	1,000,000	280,800	1,280,800	5,740,000
2025	1,045,000	234,787	1,279,787	4,695,000
2026	1,095,000	186,637	1,281,637	3,600,000
2027	1,150,000	136,125	1,286,125	2,450,000
2028	1,200,000	83,250	1,283,250	1,250,000
2029	1,250,000	28,125	1,278,125	-
Total	\$ 14,675,000	\$ 5,852,737	\$ 20,527,737	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds (Continued)

2008B-1 Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest*	Total	
2014	\$ -	\$ 1,329,840	\$ 1,329,840	\$ 64,665,000
2015	-	1,329,840	1,329,840	64,665,000
2016	-	1,329,840	1,329,840	64,665,000
2017	-	1,329,840	1,329,840	64,665,000
2018	1,000,000	1,329,840	2,329,840	63,665,000
2019	2,000,000	1,311,858	3,311,858	61,665,000
2020	2,200,000	1,275,168	3,475,168	59,465,000
2021	2,200,000	1,236,553	3,436,553	57,265,000
2022	2,400,000	1,196,013	3,596,013	54,865,000
2023	2,400,000	1,153,548	3,553,548	52,465,000
2024	3,600,000	1,094,244	4,694,244	48,865,000
2025	3,800,000	1,016,175	4,816,175	45,065,000
2026	4,000,000	934,473	4,934,473	41,065,000
2027	4,200,000	849,138	5,049,138	36,865,000
2028	4,400,000	760,170	5,160,170	32,465,000
2029	2,900,000	668,080	3,568,080	29,565,000
2030	3,000,000	574,454	3,574,454	26,565,000
2031	3,200,000	477,407	3,677,407	23,365,000
2032	3,200,000	376,697	3,576,697	20,165,000
2033	3,500,000	272,384	3,772,384	16,665,000
2034	3,700,000	162,543	3,862,543	12,965,000
2035	4,000,000	80,740	4,080,740	8,965,000
2036	4,100,000	28,870	4,128,870	4,865,000
2037	2,700,000	2,110	2,702,110	2,165,000
2038	2,165,000	650	2,165,650	-
Total	\$ 64,665,000	\$ 20,120,475	\$ 84,785,475	

* The Series 2008B-1 Revenue Refunding Bonds have a variable rate, and two interest rate swaps, resulting in synthetic fixed rates of 3.356% and 3.790%. The variable interest rate is reset weekly. This amortization schedule is based on the weekly variable rate as of June 30, 2013 (0.06%). Actual interest payments will vary from this schedule.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds (Continued)

2010B Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 800,000	\$ 8,000	\$ 808,000	\$ -
Total	<u>\$ 800,000</u>	<u>\$ 8,000</u>	<u>\$ 808,000</u>	

2011A Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ -	\$ 656,100	\$ 656,100	\$ 16,945,000
2015	1,000,000	644,850	1,644,850	15,945,000
2016	1,000,000	623,600	1,623,600	14,945,000
2017	2,100,000	584,725	2,684,725	12,845,000
2018	1,600,000	531,850	2,131,850	11,245,000
2019	1,170,000	487,200	1,657,200	10,075,000
2020	1,225,000	435,925	1,660,925	8,850,000
2021	1,350,000	378,300	1,728,300	7,500,000
2022	1,400,000	316,300	1,716,300	6,100,000
2023	1,435,000	245,425	1,680,425	4,665,000
2024	1,475,000	180,050	1,655,050	3,190,000
2025	1,540,000	115,900	1,655,900	1,650,000
2026	1,650,000	40,625	1,690,625	-
Total	<u>\$ 16,945,000</u>	<u>\$ 5,240,850</u>	<u>\$ 22,185,850</u>	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds (Continued)

2011B Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ -	\$ 2,461,625	\$ 2,461,625	\$ 50,000,000
2015	100,000	2,460,625	2,560,625	49,900,000
2016	100,000	2,458,625	2,558,625	49,800,000
2017	250,000	2,454,812	2,704,812	49,550,000
2018	200,000	2,449,750	2,649,750	49,350,000
2019	250,000	2,444,375	2,694,375	49,100,000
2020	250,000	2,437,500	2,687,500	48,850,000
2021	500,000	2,423,750	2,923,750	48,350,000
2022	500,000	2,401,250	2,901,250	47,850,000
2023	500,000	2,378,125	2,878,125	47,350,000
2024	500,000	2,355,000	2,855,000	46,850,000
2025	450,000	2,331,250	2,781,250	46,400,000
2026	1,775,000	2,275,625	4,050,625	44,625,000
2027	1,865,000	2,184,625	4,049,625	42,760,000
2028	1,960,000	2,089,000	4,049,000	40,800,000
2029	2,065,000	1,988,375	4,053,375	38,735,000
2030	2,375,000	1,877,375	4,252,375	36,360,000
2031	2,480,000	1,756,000	4,236,000	33,880,000
2032	2,595,000	1,629,125	4,224,125	31,285,000
2033	2,720,000	1,496,250	4,216,250	28,565,000
2034	2,850,000	1,357,000	4,207,000	25,715,000
2035	2,785,000	1,216,125	4,001,125	22,930,000
2036	2,930,000	1,073,250	4,003,250	20,000,000
2037	2,950,000	926,250	3,876,250	17,050,000
2038	3,075,000	775,625	3,850,625	13,975,000
2039	3,225,000	618,125	3,843,125	10,750,000
2040	3,400,000	452,500	3,852,500	7,350,000
2041	3,575,000	278,125	3,853,125	3,775,000
2042	3,775,000	94,375	3,869,375	-
Total	\$ 50,000,000	\$ 51,144,437	\$ 101,144,437	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Revenue Bond Debt Service Payments
Water Revenue Refunding Bonds (Continued)

2013A Series Revenue Refunding Bonds

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 40,000	\$ 206,160	\$ 246,160	\$ 6,660,000
2015	60,000	192,250	252,250	6,600,000
2016	60,000	191,050	251,050	6,540,000
2017	750,000	182,950	932,950	5,790,000
2018	775,000	163,825	938,825	5,015,000
2019	790,000	144,300	934,300	4,225,000
2020	805,000	128,350	933,350	3,420,000
2021	825,000	112,050	937,050	2,595,000
2022	850,000	86,800	936,800	1,745,000
2023	1,745,000	34,900	1,779,900	-
Total	<u>\$ 6,700,000</u>	<u>\$ 1,442,635</u>	<u>\$ 8,142,635</u>	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Promissory Note Debt Service Payments

Note 1

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ -	\$ 29,120	\$ 29,120	\$ 728,000
2015	-	29,120	29,120	728,000
2016	-	29,120	29,120	728,000
2017	-	29,120	29,120	728,000
2018	-	29,120	29,120	728,000
2019	728,000	29,120	757,120	-
Total	\$ 728,000	\$ 174,720	\$ 902,720	

Note 2

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 20,094	\$ 19,906	\$ 40,000	\$ 432,643
2015	20,978	19,022	40,000	411,665
2016	21,900	18,100	40,000	389,765
2017	22,863	17,137	40,000	366,902
2018	23,868	16,132	40,000	343,034
2019	24,917	15,083	40,000	318,117
2020	26,013	13,987	40,000	292,104
2021	27,157	12,843	40,000	264,947
2022	28,351	11,649	40,000	236,596
2023	29,597	10,403	40,000	206,999
2024	30,899	9,101	40,000	176,100
2025	32,257	7,743	40,000	143,843
2026	33,676	6,324	40,000	110,167
2027	35,156	4,844	40,000	75,011
2028	36,702	3,298	40,000	38,309
2029	38,309	1,691	40,000	-
Total	\$ 452,737	\$ 187,263	\$ 640,000	

Note 3

Year ended June 30,	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2014	\$ 65,000	\$ 3,250	\$ 68,250	\$ 65,000
Total	\$ 65,000	\$ 3,250	\$ 68,250	

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Requirements of the Water Conservancy Revenue Bond Resolutions and
U.S. Department of Commerce, Economic Development Administration (EDA)

1. A Schedule of the Insurance Policies in Force at July 1, 2013 is at page 58.
2. An analysis of all funds established by the Resolution is at page 59.
3. "Net Revenues" for fiscal year 2013 exceed 1.0 times the "Aggregate Debt Service" for 2013 and "Net Revenues" and amounts maintained in the Revenue Fund for debt service for 2013 exceed 1.25 times the "Aggregate Debt Service" for 2013, as those terms are defined in the Resolution. The District met the minimum requirements as described on page 60.
4. An analysis of water billings and metered customers for the fiscal year ended June 30, 2013 is as follows:

	Retail	Wholesale	Total
Average number of metered customers	8,568	17	8,585
Amount billed for water and water service	\$ 4,940,159	\$ 34,347,763	\$ 39,287,922
Average amount billed per customer	\$ 577	\$ 2,020,457	
Average monthly amount billed per customer	\$ 48	\$ 168,371	

There were no unmetered water customers during 2013. The gross volume of water sold for the fiscal year ended June 30, 2013 was 91,512 acre-feet. In accordance with the Resolution, wholesale sales of water excludes any sales to Metropolitan Water District of Salt Lake and Sandy.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Requirements of the Water Conservancy Revenue Bond Resolutions and
U.S. Department of Commerce, Economic Development Administration (EDA) (Continued)

5. The rate schedule adopted in June 2013 for water to be sold by the District is as follows:

Wholesale customers	\$291.01 to \$472.22 (winter rates) and \$363.76 to \$575.38 (summer rates) per acre-foot based on cost of service to customer plus a flat rate charge of \$10.00 per 1,000 gallons-per-minute of meter capacity per month.
Industrial customers	\$324.37 (winter rate) and \$400.41 (summer rate) per-acre foot based on cost of service to customer.
Retail customers	\$1.49 (winter rate) and \$1.86 (summer rate) per 1,000 gallons delivered plus a monthly meter base charge/flat fee based upon the size of the meter, ranging from \$2.50 to \$65.00.
Pumping surcharge	\$0.18 to \$0.22 per 1,000 gallons is added to the retail rate in areas of the District where pumping is required to deliver the water.

6. The District's Board of Trustees is composed of the following as of August 8, 2013:

Gary C. Swensen	Chair
Ronald E. Sperry	Vice-Chair
Royce A. Gibson	Trustee - Chair of Finance Committee
Lyle C. Summers	Trustee - Chair of Conservation Committee
J. Lynn Crane	Trustee
W. Richard McDonald	Trustee
Scott L. Osborne	Trustee
Corey L. Rushton	Trustee
Kent L. Winder	Trustee

Other District officers are as follows:

Richard P. Bay	CEO, General Manager, Clerk
Bart A. Forsyth	Assistant Clerk
David D. Martin	CFO / Treasurer

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Insurance Policies in Force
June 30, 2013

Description	Coverage
<u>Commercial General Liability:</u> Argonaut Insurance Company (expires July 1, 2014)	\$1,000,000 each occurrence \$3,000,000 aggregate limit with \$100,000 self-insured retention
<u>Public Officials and Employees Liability:</u> Argonaut Insurance Company (expires July 1, 2014)	\$1,000,000 each occurrence \$3,000,000 aggregate limit with \$100,000 self-insured retention
<u>Business Auto Liability:</u> Argonaut Insurance Company (expires July 1, 2014)	\$1,000,000 limit per accident with \$100,000 self-insured retention
<u>Excess Liability:</u> Argonaut Insurance Company (expires July 1, 2014)	\$10,000,000 each occurrence \$10,000,000 aggregate limit
<u>Excess Liability 2nd Layer</u> Great American Insurance Co. (expires July 1, 2014)	\$15,000,000 each occurrence \$15,000,000 aggregate limit
<u>Combined Property Coverage:</u> Affiliated FM Insurance Company (expires July 1, 2014)	\$200,000,000 limit with \$100,000 deductible
<u>Earthquake and Flood:</u> Affiliated FM Insurance Company (expires July 1, 2014)	\$100,000,000 limit for earthquake and \$10,000,000 limit for flood with \$100,000 deductible
<u>Fiduciary Insurance:</u> National Union Fire Ins. Co. of Pittsburgh, PA (expires July 1, 2014)	\$2,000,000 limit with \$0 deductible
<u>Crime and Director's & Officer's Liability:</u> Great American Insurance Company (expires July 1, 2014)	\$2,000,000 limit
<u>Workers Compensation Insurance:</u> Workers Comp Fund of Utah (expires July 1, 2014)	\$500,000 each accident \$500,000 each employee \$500,000 policy limit
<u>Public Treasurer Bond:</u> Travelers (expires December 31, 2013)	\$1,500,000 each treasurer
District Self Insurance Fund:	\$2,485,871

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Changes in Funds Established by the Water Conservancy Revenue Bond Resolutions (Cash Basis)

		Principal and Interest Fund												
		Operations & Maintenance Fund	Revenue Fund	Capital Projects Fund*	Renewal and Replacement Fund	2011B Project Fund	1992 Reserve	2005A Reserve	2008B-1 Reserve	2009 Series Reserve	2010 Series Reserve	2011 Series Reserve	2013A Reserve	Total
Balance, June 30, 2012		\$ 3,868,073	\$ 4,830,790	\$ 11,060,402	\$ 147,896	\$ 16,907,057	\$ 2,359,905	\$ 2,105,381	\$ 4,747,261	\$ 2,092,678	\$ 1,643,850	\$ 5,111,606	\$ -	\$ 54,874,899
Cash and investments														
Additions:														
Investment income received		19,857	38,399	116,382	1,002	64,514	177,206	78,820	18,315	14,391	11,221	34,842	1,060	576,009
Property tax revenue		13,571,572	40,164,945											13,571,572
Revenue from water sales														40,164,945
Bond proceeds													851,147	851,147
Other sources		538,806		3,689,834										4,228,640
Transfer from:														
Project fund				12,110,570						31,400	71,600			12,213,570
Revenue fund				7,888,672										25,888,672
Reserve accounts			315,016											315,016
Total additions		32,130,235	40,518,360	23,805,458	1,002	64,514	177,206	78,820	18,315	45,791	82,821	34,842	852,207	97,809,571
Deductions:														
Construction expenditures				15,857,353		2,461,625								15,857,353
Debt service		29,120	14,530,090											17,020,835
O&M expenditures		32,412,495	71,624											32,484,119
Other expenditures			115,011											115,011
Transfer to:														
O&M fund			18,000,000											18,000,000
Capital projects fund			7,888,672											7,888,672
Other capital funds			892,584											892,584
Reserve funds			103,000											103,000
Revenue fund						12,110,570	163,523	71,340	18,315	14,558	11,123	36,157		12,425,586
Total deductions		32,441,615	41,600,981	15,857,353	-	14,572,195	163,523	71,340	18,315	14,558	11,123	36,157	-	104,787,160
Balance, June 30, 2012		\$ 3,556,693	\$ 3,748,169	\$ 19,008,507	\$ 148,898	\$ 2,399,376	\$ 2,373,588	\$ 2,112,861	\$ 4,747,261	\$ 2,123,911	\$ 1,715,548	\$ 5,110,291	\$ 852,207	\$ 47,897,310
Cash and investments														

* The Capital Projects Fund was not required by bond resolutions, but was established by Board resolution

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Net Revenues and Aggregate Debt Service

	<u>2013</u>	<u>2012</u>
Net revenues:		
Total operating revenues	\$ 40,702,664	\$ 40,097,418
Other revenues	<u>14,980,725</u>	<u>15,872,859</u>
	55,683,389	55,970,277
Less: operating expenses (excluding depreciation and amortization)	<u>(31,748,429)</u>	<u>(31,089,216)</u>
Net revenues	<u>23,934,960</u>	<u>24,881,061</u>
Aggregate debt service:		
Principal	9,161,248	8,051,439
Interest	* <u>6,498,385</u>	<u>6,703,133</u>
Aggregate debt service	<u>\$ 15,659,633</u>	<u>\$ 14,754,572</u>
<hr/>		
Net revenues divided by aggregate debt service	1.53	1.69
Minimum requirement	1.00	1.00
<hr/>		
Net revenue:	\$ 23,934,960	\$ 24,881,061
Amount maintained in revenue fund for debt service	<u>3,711,659</u>	<u>3,665,329</u>
Net revenues and amounts maintained in revenue fund for debt service	<u>27,646,619</u>	<u>28,546,390</u>
Aggregate debt service	<u>15,659,633</u>	<u>14,754,572</u>
<hr/>		
Net revenues and amounts maintained in revenue fund for debt service divided by aggregate debt service	1.77	1.93
Minimum requirement	1.25	1.25

* Includes interest payments capitalized for various capital asset projects of \$1,750,389.
These debt service requirements are defined in the bond covenants.

**JORDAN VALLEY WATER
CONSERVANCY DISTRICT**

**Single Audit
And
State Legal Compliance Reports**

Year Ended June 30, 2013

JORDAN VALLEY WATER CONSERVANCY DISTRICT

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Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
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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*

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jordan Valley Water Conservancy District
West Jordan, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Jordan Valley Water Conservancy District ("the District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 29, 2013

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
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E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jordan Valley Water Conservancy District
West Jordan, Utah

Compliance

We have audited the compliance of Jordan Valley Water Conservancy District ("the District") with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the compliance audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. A compliance audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the District's compliance with those requirements.

Opinion

In our opinion, the Jordan Valley Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 29, 2013. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purpose of This Report

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 29, 2013

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award Amount	Expenditures
U.S. Department of Homeland Security				
Pass Through Program (State of Utah Department of Public Safety, Division of Homeland Security):				
2007 Pre-Disaster Mitigation Grant	97.047	PDM-2007-PC-PJ-0009	\$ 2,040,000	\$ 452,239
2010 Homeland Security Grant	97.067	DES-2010-SHSP-002	3,192	3,192
2011 Homeland Security Grant	97.067	DES-2011-SHSP-002	<u>49,898</u>	<u>49,898</u>
Total U.S. Department of Homeland Security			<u>2,093,090</u>	<u>505,329</u>
Total Federal Expenditures			<u>\$ 2,093,090</u>	<u>\$ 505,329</u>

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

1. PURPOSE OF THIS SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the District's basic financial statements and is presented for additional analysis. The Schedule is required by the office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jordan Valley Water Conservancy District ("the District"). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to show the total expenditures for each of the District's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number) which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as "None" in the CFDA Column of the schedule.

Type A and Type B Programs - The Single Audit Act of 1984 (as amended in 1996) and OMB Circular A-133 establish the levels to be used in defining Type A and Type B federal programs. Type A programs for the District are those programs that exceeded \$300,000 in the federal awards expended for the fiscal year ended June 30, 2013. All other programs are classified as Type B by the District.

Reporting Entity

The District reporting entity is fully described in Footnote 1 of the District's basic financial statements. The Schedule includes all federal financial assistance programs administered by the District for the year ended June 30, 2013.

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported using the accrual basis of accounting.

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

A. Summary of Auditors' Results

1.	Type of Report Issued:	Unmodified
2.	Internal Control over Financial Reporting:	
	Material Weaknesses Identified:	None
	Significant Deficiencies Identified that were not Considered to be Material Weaknesses:	None
3.	Non-compliance Material to Financial Statements Noted:	None
4.	Internal Control over Major Programs:	
	Material Weaknesses Identified:	None
	Significant Deficiencies Identified that were not Considered to be Material Weaknesses:	None reported
5.	Type of Auditors' Report Issued on Compliance for Major Programs:	Unmodified
6.	Any Audit Findings Disclosed That Are Required to be Reported in Accordance With Section 510(d) of Circular A-133:	None
7.	Federal Programs Tested as Major Programs:	
	Pre-Disaster Mitigation Grant	CFDA # 97.047
8.	Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	 \$300,000
9.	Auditee Qualification as High or Low Risk:	Low

JORDAN VALLEY WATER CONSERVANCY DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

B. Findings Related to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards:

None

C. Findings and Questioned Costs Related to Federal Awards Required to be Reported in Accordance with OMB Circular A-133:

None

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South

Bountiful, Utah 84010

801-296-0200

Fax 801-296-1218

REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

INDEPENDENT AUDITORS' REPORT

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
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Board of Trustees
Jordan Valley Water Conservancy District
West Jordan, Utah

Compliance

We have audited the Jordan Valley Water Conservancy District's ("the District") compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to the District are identified as follows:

Cash Management	Government Records Access
Budgetary Compliance	Management Act
Utah Retirement Systems Compliance	Conflicts of Interest
Locally Generated Taxes and Fees	Special Districts
Public Debt	Open and Public Meetings Act
Purchasing Requirements	

The District received no assistance considered to be a major assistance program from the State of Utah.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District and its major programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the Jordan Valley Water Conservancy District's, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 29, 2013