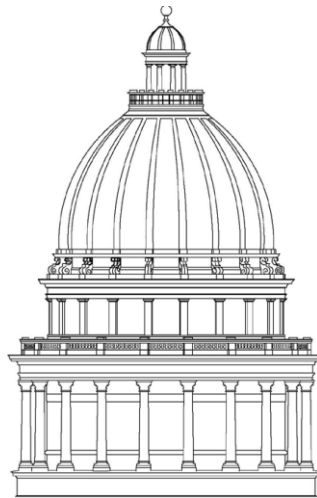


REPORT TO THE  
**UTAH LEGISLATURE**

Number 2015-12



**A Performance Audit of  
Culinary Water Improvement Districts**

December 2015

Office of the  
LEGISLATIVE AUDITOR GENERAL  
State of Utah





STATE OF UTAH

# Office of the Legislative Auditor General

315 HOUSE BUILDING • PO BOX 145315 • SALT LAKE CITY, UT 84114-5315  
(801) 538-1033 • FAX (801) 538-1063

## Audit Subcommittee of the Legislative Management Committee

President Wayne L. Niederhauser, Co-Chair • Speaker Gregory H. Hughes, Co-Chair  
Senator Gene Davis • Representative Brian S. King

JOHN M. SCHAFF, CIA  
AUDITOR GENERAL

December 15, 2015

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of Culinary Water Improvement Districts** (Report #2015-12). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "John M. Schaff" with a stylized flourish at the end.

John M. Schaff, CIA  
Auditor General

JMS/lm



# Digest of A Performance Audit of Culinary Water Improvement Districts

Though culinary water improvement districts provide the same water delivery service, each district differs in service area, board size, number of employees, and funding sources. Improvement districts, like all local districts, are governed by boards that oversee district finances and operations. Districts' main sources of revenue are user fees, impact fees, and property taxes (all improvement districts assess user fees, but only some assess impact fees and property taxes). This audit report summarizes survey responses and site visits for 16 culinary water improvement districts and provides a detailed review of four districts.

## Chapter II Water District Site Visits Reveal Administrative Weaknesses

**Districts Would Benefit from Additional Training.** Of the 16 district site visits, we found that 10 (63 percent) of the districts could improve administrative functions in five areas: fiscal controls, strategic planning, procurement, policies and procedures, and conflict of interest issues. Overall, we found the majority of administrative weaknesses in smaller, rural districts rather than in the larger, more urban districts. Some Utah water improvement districts need to take better advantage of the available administrative training opportunities that can improve districts' administrative functions and reduce risks.

**Duplicate Culinary Systems within a Service Area Is Not Efficient.** One surveyed water district has a municipality that has been providing culinary water within the water improvement district's service area for several years. Such duplicative service is inefficient and has been problematic for the district. As a result the district has underutilized infrastructure, and decreased revenue. This is not the first time a local district has faced municipality encroachment. The Legislature could provide protection from unreasonable encroachment of an area already being served by a local district by amending *Utah Code* 17B-1-103 "Local District Status and Powers".

## Chapter III Benson Water District Can Protect Funds by Improving Operational Functions

**District Can Reduce Risk by Strengthening Fiscal Controls, Board Oversight.** Benson lacks some fiscal controls that could help reduce risk of loss and ensure district

funds are managed appropriately. To improve internal controls, the district board should establish proper separation of duties involving financial transactions, including addressing conflict of interest issues. The first conflict is the district manager owns an excavating company and contracts with the district on small projects to repair broken lines or install new infrastructure. A second conflict occurs when the manager submits an invoice to his wife, the district clerk, for payment. The board should also strengthen board oversight of expenses, deposits, fund balances, district inventory, and bonding levels.

**Benson District Board Needs to Review and Strengthen Policies in Key Areas.** In addition to already established policies, the district board needs to develop a personnel policy as required by law. The board should also consider adopting conflict of interest and nepotism policies or should follow state policies in these areas as four family members currently work for the district.

**Increasing Expenses Indicate Need for Long-Term Planning.** District financial statements are reported annually with the assistance of a CPA. The Benson district appears to be in a reasonable financial position. However, the district has spent more money than it received in revenues over the last three years and, as a result, has a slight decline in net position. Additionally, because Benson maintains district reserves in a capital facilities fund, developing a capital facilities plan is required according to accounting principles. A master (build-out) plan could also assist the district in addressing the possibility of future growth and the need to repair or replace aging infrastructure.

## **Chapter IV**

### **East Duchesne Water District Needs Proactive Oversight**

**East Duchesne District Must Comply with Utah’s Conflict of Interest Law.** The district’s manager-secretary does most of the district’s construction work himself. Because he is also a private contractor, he leases his own personal equipment to the district at a predetermined rate. This arrangement is not consistent with *Utah Code* 67-16-9, which reads: “No public officer or public employee shall have personal investments in any business entity which will create a substantial conflict between his private interests and his public duties.” We believe this situation represents a substantial conflict of interest because the manager-secretary’s private interests could affect his decision on when and how much to use his equipment. However, we did not find any evidence of excessive use or inflated billings.

**East Duchesne District Could Benefit from Additional Controls and Oversight.** East Duchesne needs additional board oversight, especially in areas that currently have limited financial and management controls. Separation of duties is challenging because the district has only one employee. However, the governing board can provide better oversight

over most expenditures and establish more stringent controls. The board should also provide a bond for the board treasurer.

**East Duchesne Board Needs to Implement Some Key Policies and Procedures.** East Duchesne has insufficient management policies and procedures. The district is not compliant with the Utah Public Officers' and Employees' Ethics Act and should develop a conflict of interest policy to address its existing conflict of interest. The district also does not have a personnel policy, as required by statute. The district does have a records management policy, but it is incomplete. In addition, the district recently adopted a resolution to comply with the state's nepotism laws.

**Long-Term Planning Could Strengthen the District's Financial Soundness.** The district has few liabilities, but they increased slightly in 2013 because of additions to the water infrastructure. However, the district's financial position is sound because three-year revenue has outpaced three-year expenses and the district had about \$300,000 in unrestricted reserves at the end of 2014. However, the district does not have a formal long-term plan. The district should plan for growth and the building and replacement of infrastructure.

## **Chapter V**

### **White City Water District Is Well Managed, but A Few Processes Can Be Enhanced**

**White City Water District Has Good Fiscal Controls.** The district's fiscal controls provide reasonable assurance that risk of asset loss or theft is minimized. Also, the board of trustees provides adequate oversight of the district operations, including reviewing the district's finances monthly.

**White City Water District Has Policies, but Procurement Process Needs Attention.** White City District has an updated purchasing policy in place. However, the district needs to competitively procure two long-standing professional services and should retain documentation of all formal procurements as evidence that procurements were handled according to policy. White City also has other policies in place, including administrative, personnel, records management, and conflict of interest policies that are required of local districts. However, staff job descriptions in district policy need to be updated.

**Long-Term Planning Contributes to the District's Favorable Financial Position.** A review of the district's finances from 2012 through 2014 shows that the district is financially stable. The district does have substantial debt from purchasing a formerly private water company and making infrastructure improvements. The debt appears manageable and

the district has sufficient reserves. The district's comprehensive long-term planning contributes to its favorable financial position.

## **Chapter VI**

### **Bona Vista Water District Is Well Managed, but A Few Processes Can Be Enhanced**

**Bona Vista District Has Good Fiscal Controls.** The district's fiscal controls provide reasonable assurance that risk of asset loss or theft is minimized. Also, the board of trustees provides adequate oversight of the district operations, including reviewing the district's finances monthly.

**Bona Vista Can Enhance Two Policies.** Bona Vista District has an updated purchasing policy in place. However, the district needs to competitively procure two-long standing professional services and should have a contract for all professional services. Bona Vista also has other policies in place, including administrative, personnel, records management, and conflict of interest policies that are required of local districts. However, staff job descriptions should be developed and the personnel policy can be enhanced to address additional personnel topics.

**No Long-Term Debt Contributes to the District's Solid Financial Position.** A review of the district's finances from 2012 through 2014 shows that the district is financially stable, and the district's net position has improved over the last two years. The district does not have any long-term debt and is able to pay for infrastructure projects from its existing reserves. Bona Vista's comprehensive long-term planning contributes to its favorable financial position. The district updated its capital facilities plan and impact fee facilities plan in 2012, outlining 19 projects for the next 20 years.



# REPORT TO THE UTAH LEGISLATURE

Report No. 2015-12

## **A Performance Audit of Culinary Water Improvement Districts**

December 2015

Audit Performed By:

Audit Manager	Tim Osterstock
Audit Supervisor	Wayne Kidd
Audit Staff	Hillary Galvin Matthias Boone



# Table of Contents

Digest of A Performance Audit of Culinary Water Improvement Districts .....	i
Chapter I Water Improvement Districts Are Created to Consistently Provide a Basic Service.....	1
Culinary Water Improvement Districts Vary in Size, Structure, and Funding.....	2
Audit Scope and Objectives .....	7
Chapter II Water District Site Visits Reveal Administrative Weaknesses .....	9
Districts Would Benefit from Additional Training.....	9
Duplicate Culinary Systems within a Service Area Is Not Efficient.....	13
Recommendations.....	16
Chapter III Benson Water District Can Protect Funds by Improving Operational Functions .....	17
District Can Reduce Risk by Strengthening Fiscal Controls, Board Oversight .....	17
Benson District Board Needs to Review and Strengthen Policies in Key Areas .....	21
Increasing Expenses Indicate Need for Long-Term Planning.....	23
Recommendations.....	26
Chapter IV East Duchesne Water District Needs Proactive Oversight .....	27
East Duchesne Must Comply with Utah’s Conflict of Interest Law.....	27
East Duchesne District Could Benefit from Additional Controls and Oversight .....	29
East Duchesne Board Needs to Implement Some Key Policies and Procedures .....	33
Long-Term Planning Could Strengthen the District’s Financial Soundness.....	36
Recommendations.....	38
Chapter V White City Water District Is Well Managed, but a Few Processes Can Be Enhanced .....	39
White City Water District Has Good Fiscal Controls .....	39
White City Water District Has Policies, but Procurement Process Needs Attention	41

Long-Term Planning Contributes to the District's Favorable Financial Position.....	43
Recommendations.....	46
Chapter VI Bona Vista District Is Well Managed, but Can Improve a Few Procedures ....	47
Bona Vista District Has Good Fiscal Controls.....	47
Bona Vista Can Enhance Two Policies .....	49
No Long-Term Debt Contributes to the District's Solid Financial Position .....	51
Recommendations.....	53
Agency Responses .....	55

# Chapter I

## Water Improvement Districts Are Created to Consistently Provide a Basic Service

Water improvement districts are a type of local district that provides a specific service. A local district can be formed by either a city or county (by citizen petition or resolution) to serve those properties to be benefitted by the service(s), whether in unincorporated areas or across multiple jurisdictions. Local districts are subject to Provisions Applicable to All Local Districts (*Utah Code* 17B); however, every district is also subject to other general Utah laws and must either comply with or adopt similar policies. Examples include the Utah Public Officers’ and Employees’ Ethics Act, and the Utah Procurement Code.

Local districts are formed to provide difficult or undesirable services or services that another governmental entity is unwilling to provide. Local districts provide a wide range of services from cemetery to water systems operations. Twelve types of local districts are mentioned in *Utah Code* 17B and are summarized in Figure 1.1.

**Figure 1.1 Twelve Local Districts Mentioned in *Utah Code* 17B.**

Utah Districts		
Basic Local	Improvement	Municipal Services
Cemetery Maintenance	Irrigation	Public Transit
Drainage	Metropolitan Water	Service Areas
Fire Protection	Mosquito Abatement	Water Conservancy

According to the Office of the Utah State Auditor, there are about 392 local or special service districts<sup>1</sup> operating in Utah. An improvement district may be formed to provide up to four services. This audit focuses specifically on improvement districts that only provide a culinary water service.

<sup>1</sup> A special service district is different from a local district because it is ultimately under the control of its creating entity. Certain actions, such as the ability to levy taxes or the issuance of debt, must be approved by the parent governmental entity (city or county) and voters.

---

**Approximately 392 local and special service districts operate throughout Utah.**

---

## Culinary Water Improvement Districts Vary in Size, Structure, and Funding

Though culinary water improvement districts provide the same service, each district differs from others in service area, board size, number of employees, and funding sources. Improvement districts, like all local districts, are governed by boards that oversee district finances and operations. Districts are required by statute to annually submit financial statements to the Office of the Utah State Auditor for assessment of transparency and accountability.

Districts' main sources of revenue are user fees, hookup fees, impact fees, and property taxes (all improvement districts assess user fees, but only some assess impact fees and property taxes). At the beginning of the audit, we sent a survey to all 16 culinary water improvement districts to gather general information. Figure 1.2 summarizes some of our survey findings, including district size (number of water connections) and revenue sources.

---

**Districts are governed by boards that oversee district finances and operations. However, each district varies in size, service, and funding source.**

---

**Figure 1.2 District Size and Revenue Source Summary.** The size of districts varies widely; the largest district has 7,000 connections, while the smallest has only 18 connections.

Culinary Water Improvement District	Connections	Percent Revenue From User Fees*	Percent Revenue From Other Sources**	Percent Revenue From Property Taxes <sup>2</sup>
<i>Bona Vista</i>	7,000	73 %	8 %	19 %
<i>Hooper</i>	5,200	69	13	18
<i>White City</i>	4,200	98	2	0
<i>Taylor West</i>	2,000	96	4	0
<i>Upper Country</i>	900	68	18	14
<i>Johnson</i>	878	95	5	0
<i>Jensen</i>	670	71	11	18
<i>Tridell-Lapoint</i>	490	79	13	8
<i>East Duchesne</i>	400	94	6	0
<i>West Warren-Warren</i>	321	76	15	9
<i>Copperton</i>	320	72	3	25
<i>Emigration</i>	280	53	6	41
<i>Benson</i>	240	94	6	0
<i>Mutton Hollow</i>	223	91	9	0
<i>Ouray Park</i>	139	47	6	47
<i>West Erda</i>	18	98	2	0

Source: Survey findings coupled with 2013-2014 district financial reports

\*User fees include hookup fees

\*\*Other sources include impact fees and miscellaneous revenue

Nine of the 16 improvement district we surveyed assess property taxes, but most districts’ operations are funded heavily through water user fees. The two exceptions are the Emigration and Ouray Park districts, which receive 41 percent and 47 percent of district revenues from property taxes, respectively. The survey results and site visits also showed that large districts (those with more connections) typically have fewer operational issues than those with fewer connections. This is due, in part, to the increased availability of resources and personnel in large districts. A summary of the concerns we found among the 16 districts is provided in Chapter II.

---

**District operations are largely funded by user fees.**

---

<sup>2</sup> As outlined in *Utah Code* 17B-1-1001, each local district that levies a property tax must do so in accordance with the state’s Property Tax Act (see *Utah Code* 59-2).

## **Governing Boards Differ in Structure**

*Utah Code* 17B-1-302(2) requires every district to be governed by an oversight board of at least three trustees (must be an odd number). All powers of a district are exercised through the board, including the following:

- Select and retain competent management
- Establish the district's long-term and short-term objectives
- Adopt policies to achieve those objectives
- Monitor operations to ensure compliance with laws and policies
- Stay informed regarding changes in law and practices that might affect the district
- Oversee district performance in the proper delivery of services
- Ensure that board meetings are conducted as prescribed by law

Board members serve four-year terms and, based upon district founding documents and state law, can be elected, appointed, or a combination of the two. *Utah Code* also permits members to be paid up to \$5,000 annually.

We found that district board compositions varied between three and seven members, with a majority of boards having five members. Additionally, 75 percent of district boards have elected board members only, while 19 percent have a combination of elected and appointed board members. The current average tenure among the 16 water improvement board members is 10 years.

## **Districts Must Submit Financial Reports to the State Auditor**

District boards are required to annually submit a financial report to the Office of the Utah State Auditor. The auditors review the reports for compliance with state laws and generally accepted accounting principles. The level of these audited financials depends upon the annual revenues and expenses of the reporting district. Reporting requirements for improvement districts differ as follows:

- \$750,000 or more – requires an audit by an independent certified public accountant (CPA) to obtain reasonable assurance that the financial statements are fairly presented and

---

**Culinary water district board sizes range from three to seven members; three-quarters of districts have elected board members.**

---

---

**Districts must annually submit financial statements to the Office of the Utah State Auditor.**

---



the districts are compliant with state and federal laws (5 of the 16 districts meet this requirement).

- At least \$350,000 but less than \$750,000 – requires an annual agreed-upon procedures report performed by an independent CPA for compliance with state laws and a review of internal controls (5 of the 16 districts meet this requirement).
- Less than \$350,000 – requires a financial statement and a self-evaluation form provided through the Office of the Utah State Auditor (6 of the 16 districts meet this requirement).

The most recent financial statements available from the state auditor's office for the 16 culinary water improvement districts indicate that the districts are able to meet their financial obligations. Figure 1.3 shows each district's net position, unrestricted reserves, and debt ratio.

**Figure 1.3 Basic Financial Information by District.** Eight of the 16 districts have minimal or no debt, but all 16 districts have some level of reserves.

District	Net Position	Unrestricted Reserves	Debt Ratio
Bona Vista	\$ 19,463,600	\$ 5,864,500	0.04
Hooper	11,365,500	3,047,500	0.06
Tridell-Lapoint	10,779,000	399,100	0.22
Johnson	7,405,700	919,600	0.20
Upper Country	6,988,600	2,341,700	0.36
Taylor West	6,547,400	1,031,600	0.12
White City	4,487,900	2,587,700	0.74
Jensen	4,154,774	575,200	0.35
East Duchesne	2,956,900	300,100	0.02
Emigration	2,880,600	927,500	0.63
Ouray Park	2,156,800	260,300	0.02
Copperton	1,901,900	252,400	0.36
West Warren Warren	1,777,400	603,700	0.00
Benson	800,900	82,300	0.21
Mutton Hollow	572,800	42,800	0.00
West Erda	51,900	51,900	0.00

Source: District financial statements with auditor analysis

**The largest component of net position for most districts is their capital assets.**

Net position, or equity, shown in Figure 1.3, consists of three components: net investment in capital, restricted reserves, and unrestricted reserves. The net position varies widely among the districts. The largest component of net position for most districts is their capital assets; thus, the differing sizes of districts help to explain the variation in net position.

Unrestricted reserves can be used for general operations and capital projects, but restricted reserves must be used for a specific purpose. An example of a restricted reserve is revenue from impact fees that must be used to cover the cost of providing culinary water to a new development.

**Districts often issue bonds for major capital projects.**

The debt ratio is total debt divided by total assets. We found no district that has more debt than assets (a debt ratio over one). Many districts often need to issue bonds or obtain a loan to pay for capital projects. However, some districts have no bonds or loans, such as Bona Vista. Survey results revealed that the 16 districts' average

bonded indebtedness was \$3.9 million. White City District has the most debt, partly because the district was established through the purchase of a private water company. Even though many districts have debt, the financial statements show that the districts are solvent. But, financial risk is present in some districts because of inadequate fiscal controls and/or planning, as we found in the site visits.

---

**Some districts can reduce risk with improved fiscal controls.**

---

## **Audit Scope and Objectives**

We were directed by the Legislative Audit Subcommittee to review water improvement districts. With about 40 water improvement districts in the state, we managed the scope of the audit by focusing on water improvement districts that provide culinary water exclusively. Reviewing data from the Office of the Utah State Auditor, Utah State Tax Commission, and the Utah Association of Special Districts (UASD), we determined that there are 17 culinary water improvement districts in the state. Our initial survey work determined that one district, Daggett Culinary Water, was not technically in the water business, choosing to lease its water to Manilla City. Thus, we did not include Daggett District in this audit and focused our review on the remaining 16 districts.

We began the audit by sending the 16 water improvement districts a survey to gather basic information about them. The survey was followed by site visits of all 16 districts to gain a better understanding of the districts' administrative functions. Based on the information gathered from the site visits, we selected a cross-section of two smaller and two larger districts for an in-depth review. This audit report summarizes survey responses and site visits, and provides a detailed review of four districts. Figure 1.4 gives an overview of each chapter in this report.

---

**This report summarizes survey and site visits to 16 culinary water improvement districts.**

---

**Figure 1.4 Report Overview.** Chapter II provides a summary of concerns that we found among the 16 districts, while Chapters III through VI focus on individual water improvement districts.

Chapter	Topic	Objectives
Chapter I	Introduction	Provides background information on water improvement districts
Chapter II	Summary of 16 site visits	Summarizes administrative concerns found during site visits
Chapters III-VI	In-Depth District Reviews	Objectives
Chapter III	Benson District	Determine the districts': Fiscal controls Board oversight Policies and procedures Financial position Long-term planning
Chapter IV	East Duchesne District	
Chapter V	White City District	
Chapter VI	Bona Vista District	

We compared the districts’ five administrative practices (listed in Figure 1.4) to requirements in *Utah Code* 17B and to local district guidelines prescribed by the Office of the Utah State Auditor. We also reviewed the districts’ financial statements for the past three years.

During the audit, we considered comparing operational efficiencies among 16 improvement districts. While a comparison could be useful, dissimilarities among the districts create obstacles to such a comparison. For example, a comparison of water rates was problematic because of differences among the districts in water sources, current age and future build-out of infrastructure, and revenue sources. Such a comparison would require extensive time and audit resources not available within the scope of this audit; therefore, we did not include an efficiency comparison in this report.

## **Chapter II**

# **Water District Site Visits Reveal Administrative Weaknesses**

Although training is available to every Utah culinary water improvement district through a variety of sources, district administrative functions can be improved through consistent training. Visits to 16 districts revealed weaknesses in 5 key operational areas: district planning, fiscal controls, procurement, policy and procedure, and conflict of interest and nepotism issues. In fact, we found that 10 districts (63 percent) we reviewed could improve administrative functions. Site visits also revealed an inefficient duplication in services in one district. Municipal infringement into one district's service area has created inefficiencies in that district. Local district statute should be reviewed, and possibly revised, in order to help resolve this issue.

### **Districts Would Benefit From Additional Training**

Some Utah water improvement districts need to take better advantage of the available administrative training opportunities that can improve districts' administrative functions. Training opportunities are available to every district through the Office of the Utah State Auditor, the Utah Association of Special Districts (UASD), and the Rural Water Association of Utah. Increasing training among district administrators would strengthen district operations and reduce risks.

### **Majority of Districts Visited Can Improve Administrative Functions**

The administrative function of some districts needs to be strengthened and brought into better compliance with statute and specific guidelines provided by the Office of the Utah State Auditor. For this audit, we visited 16 culinary water improvement districts. While a variety of unique circumstances exist among districts, we evaluated five administrative areas that are important to how districts should operate and found that 10 of 16 districts had at least one administrative weakness present. Figure 2.1 summarizes the lack of compliance with each of the five administrative areas.

**Figure 2.1 District Site Visits Summary.** Of the 16 district site visits, we found that 10 (63 percent) of the districts could improve administrative functions.

Administrative Area	Finding
<b>Fiscal Controls</b>	Seven districts (44%) lacked proper fiscal controls, including segregation of duties, for district fund management.
<b>Procurement</b>	Six districts (38%) have inadequate purchasing policies or are not following their own policy or state Procurement Code.
<b>Strategic Planning</b>	Six districts (38%) did not have adequate district plans to prepare for changes in population or infrastructure needs.
<b>Policies &amp; Procedures</b>	Five districts (31%) lacked required policies and procedures.
<b>Conflict of Interest / Nepotism</b>	Three districts (19%) had conflict of interest or nepotism issues.

A review of five operational areas among 16 districts revealed weaknesses, primarily in smaller districts.

Overall, we found the majority of administrative weaknesses in smaller, rural districts rather than in the larger, more urban districts. Larger districts typically have more staff than smaller districts. Having more than one person helping with the finances or general office management, for example, could help explain why those districts have better fiscal controls and more comprehensive policies and procedures. Each of the five administrative areas we reviewed are discussed in further detail below.

A May 2015 report found that a fiscal control lapse resulted in theft from an irrigation district. Seven districts we reviewed had similar lapses.

**Fiscal Controls.** The need for fiscal controls, including proper segregation of duties, is a necessary safeguard for the protection of district assets. Seven (44 percent) of the districts we visited need to establish better fiscal controls to minimize risk. As an example of what can result from improper controls, we refer to a May 2015 Office of the Utah State Auditor report on the Mapleton Irrigation District. The Mapleton Irrigation District board reportedly “did not appoint a treasurer and clerk; rather, the financial officer performed the responsibilities of both...and was able to sign single signature checks while maintaining the financial records.” The report stated that the

financial officer stole between \$103,093 and \$116,797 over the course of nine years.

**Procurement Policy.** A good procurement policy fosters competition and helps ensure a fair and equitable procurement process. Six (38 percent) of the visited districts did not have appropriate procurement policies or were found not following their own policy or the Procurement Code. An appropriate procurement policy is one that is in line with state procurement requirements. We found examples where districts have used the same vendors for many years without competitively bidding those services. Historically, local districts were subject to portions, but not all, of the Utah Procurement Code. With the 2014 revision of the *Utah Code* 63G-6a, the entire Procurement Code now applies to local districts. A significant change applicable to districts is that, since January 1, 2015, the Utah State Procurement Policy Board is the:

...applicable rulemaking authority...except to the extent that the board of trustees of the local district or the governing body of the special service district makes its own rules: (A) with respect to a subject addressed by board [the Procurement Policy Board] rules; or (B) that are in addition to board rules.

If a district governing board has not adopted its own purchasing rules, the district must follow statute. Furthermore, even if a district has adopted purchasing rules of its own, if an issue comes up that is not covered in the district's own purchasing policy, the district must follow the state rule on that issue.

**Strategic Planning.** Six of the 16 water improvement districts we reviewed have a capital facilities plan and/or a master plan. Long-term planning helps districts consider changes in population projections, infrastructure needs, and future funding needs. An example of what happens when a district lacks adequate planning is the West Erda Water Improvement District (West Erda).

West Erda is a small system that was established in the 1980s. At its peak, the district had 53 connections and 3 pumps. After years of little maintenance, repair, and replacement, district infrastructure has deteriorated and all that remains is a single pump, no water storage capacity, and 18 connections. Management of West Erda has been taken over by Tooele County. Proper district planning could have

---

**A good procurement policy contributed to a fair procurement process. Six districts either did not have appropriate procurement policies or did not follow Utah Procurement Code.**

---

---

**Long-term strategic plans were lacking in a number of reviewed districts.**

---

helped prepare West Erda for needed improvements to infrastructure and anticipate changes in population and the environment.

**Policies and Procedures.** Every district that has employees is required to adopt a personnel policy to ensure that the district conforms to requirements of state and federal law. A district should also adopt a records management policy that is consistent with the Government Records Access and Management Act. Districts can adopt conflict of interest and nepotism policies that are in line with the state's Utah Public Officers' and Employees' Ethics Act and the Anti-Nepotism laws or by default are subject to these statutes.

Five districts (31 percent) lacked adequate policies for district functions. For example, the Benson Culinary Water Improvement District, discussed in Chapter III, lacks a personnel policy and needs to adopt a recently drafted records management policy. The district needs both policies to strengthen the district's administrative functions and ensure that the district is compliant with state and federal laws.

**Conflict of Interest or Nepotism.** Conflict of interest and nepotism issues can undermine objective decision-making, a vital component of good management. The site visits showed that three districts (19 percent) had conflict of interest or nepotism issues. For example, the East Duchesne Culinary Water Improvement District does not have a conflict of interest policy and is in violation of the applicable state law. The manager of the district is a full-time employee of the district, but also leases his privately owned equipment to the district at a negotiated hourly rate. This practice is a conflict of interest because, by state statute, district employees cannot be compensated for private services provided to the district. This concern is discussed in detail in Chapter IV.

### **Training Sessions Are Available To Board Members and Staff**

Administrative training is offered to local districts primarily by the Office of the Utah State Auditor and UASD. For example, the state auditor provides training to districts and local governments on its office website and upon request. The UASD provides training, policy templates, and guidance to districts as well. Additionally, the Rural Water Association of Utah and the Utah Division of Drinking Water both offer training and certifications for water operators.

---

**Five districts lack adequate policies and procedures, including some required by state law.**

---

---

**Three reviewed districts have conflict of interest issues, some lacking a statutorily required nepotism policy.**

---



Board members are required in *Utah Code* 17B-1-312 to complete training within one year of their election or appointment. Currently, the average duration of service for the 16 districts' board members is 10 years. Changes in legislation and other requirements can affect district functions, so periodic training is needed to keep board members informed of relevant updates. The state auditor's office believes that district board members should obtain training at least every four years, after board elections are held. We agree with the state auditor's position, and the UASD has no concerns with amending statute to provide greater clarity regarding training. The Legislature could consider amending *Utah Code* 17B-1-312 to clarify that board members should complete training within one year of their election/appointment or reelection/reappointment.

District managers could also benefit from available training opportunities. Although training is not statutorily required, district managers need to be informed of legislative and other changes that are applicable to districts. We suggest that district managers or their designees consistently attend administrative training to receive updates on state and federal law changes.

### **Duplicate Culinary Systems within a Service Area Is Not Efficient**

During the site visits, we found that a municipality has been providing culinary water within a water improvement district's service area for several years. Such duplicative service is inefficient and has been problematic for the district. As a result, the district's infrastructure is underutilized, district revenue has decreased, and the district has not been able to reach a service agreement with the municipality.

Johnson Water Improvement District, one of the smaller districts, is located in Duchesne County. The district has 878 active connections serving unincorporated areas of eastern Duchesne County, western Uintah County, and two areas on the south and west side of Roosevelt City. The district has authority to provide services to portions of Roosevelt City because, at the time the Johnson District was created, the city did not provide culinary water service in those areas. The district boundaries have remained unchanged since the Johnson District was created in 1983. The district has three culinary water

---

**District board members and managers could benefit from more frequent training.**

---

---

**Municipal infringement to district service areas results in service duplication, decreased revenues, and poor infrastructure utilization.**

---

---

**A municipality has been installing culinary water infrastructure in areas already serviced by Johnson district.**

---

---

**Johnson district's already established infrastructure is now underutilized.**

---

source: a well, purchased treated water from the Duchesne Water Conservancy District, and a small amount from the Ute Indian Tribe.

Roosevelt City has been installing culinary water pipe within the Johnson District's service areas for several years and requires that city residents use the city's culinary water system. The Johnson District did a physical count of 102 city connections within its boundaries in the south area of the city and estimates about 50 connections in the west area. In addition to the two areas within the city, the district told us that the city is considering installing its culinary water pipes in an unincorporated area of the county that is also in Johnson's service area. Roosevelt City's user fees are slightly higher than Johnson District.

### **Duplicate Systems Are Problematic for the District**

The two separate culinary water systems within Johnson District's service area has created three challenges for the district. The district's already established infrastructure is now underutilized, revenue to pay for the infrastructure has decreased, and the district has not been able to reach a service agreement with Roosevelt City.

**Underutilized Infrastructure Results in Stagnant Water.** The duplicate systems have resulted in stagnant water in some district pipes. District water users have complained to the district about the poor quality of the water provided by the infringed-upon pipeline. The district's infrastructure was built presuming that all customers would participate in the district's system. However, some of the district's customers have disconnected from the district's system and new customers in their service area have been required to connect to the city's system. This situation leaves a smaller number of users in one section of its service area—fewer users means less water flow through the pipelines, resulting in stagnant water.

**The District's Revenue to Pay for Infrastructure Has Decreased.** Since Roosevelt City has been installing duplicate infrastructure, the district claims to have lost approximately \$300,000 in impact fees (while Roosevelt City received an estimated \$450,000 in impact fees). The district is also not collecting user fees from those customers and estimates it lost \$60,000 in user fees last year. This revenue loss is concerning, because the district's current debt is \$1.3 million from three loans obtained to pay for the installed infrastructure. While currently diminishing district fees are needed to

pay for infrastructure, we were told that Roosevelt may be planning to further expand culinary water services within the district's service area.

**A Service Agreement Does Not Exist Between the District and the Municipality.** We have been told that the district has tried to work with the city to develop a service agreement about the areas in which the city will provide culinary water. An agreement would help with planning and could help resolve this issue. However, as of this report, an agreement is not in place.

### **Local District Code Does Not Provide Guidance on This Issue**

*Utah Code* 17B-1-202(4)(a) states that “a local district may not be created to provide and may not after its creation provide to an area the same service that may already be provided to that area by another political subdivision, unless the other political subdivision gives its written consent.” Furthermore, before a local district may be created, a request to provide the desired service must be filed with any municipality that is proposed to be included, in whole or in part, within the local district, and the creation process may continue only after the municipality declines to provide the service (as stated in *Utah Code* 17B-1-204(1)(a) and (2), 17B-1-208(2) and 17B-1-212). While state law limits a local district's ability to provide services in incorporated areas, municipalities are not subject to statutory limitations on their ability to encroach in areas already served by local districts.

This is not the first time a local district has faced municipality encroachment. We are aware of two other districts that have had to deal with municipalities wanting to provide service to citizens within a district's authorized service area. In both of those situations, a settlement was reached between the districts and the municipalities. Both settlements stipulated the districts' service areas, and the municipalities agreed not to enter the districts' service areas. These situations involved significant legal expense for the districts and required a great deal of time and effort to resolve.

The Legislature could provide protection from unreasonable encroachment of an area already being served by a local district by amending *Utah Code* 17B-1-103, Local District Status and Powers. However, for now, the district and municipality could work

---

**State law does not offer guidance on how to resolve issues related to encroaching municipalities.**

---

---

**The legislature could consider amending local district code to offer guidance on district encroachment.**

---

with UASD to determine what legal precedent exists and how past issues were resolved between districts and encroaching municipalities.

## **Recommendations**

1. We recommend that district board members attend administrative training at least every four years.
2. We recommend that district managers, or designees, consistently attend administrative training opportunities.
3. We recommend that the Legislature consider amending *Utah Code* 17B-1-103 to provide protections for local districts from encroaching municipalities.

## **Chapter III**

# **Benson Water District Can Protect Funds By Improving Operational Functions**

The Benson Culinary Water Improvement District (referred to as Benson or the district) needs to comply with state law prescribed for local districts (see *Utah Code* 17B). The audit identified operational concerns, including weak fiscal controls, lax board oversight, and insufficient policies and procedures. Positive aspects of the district's operations included good record maintenance and regular board meetings. Observed inadequacies need to be corrected to minimize financial risk and provide the district reasonable assurance of achieving its objectives.

Benson was established in 1991 as an operational means to provide drinking water to the unincorporated land and population directly west of Logan, Utah. The source of water for the district is a single artesian well connected to a 300,000-gallon storage tank. Financed through user fees, water is pumped through an estimated 25 miles of piping from the storage facility to about 240 customer water connections. The district is governed by five board members and utilizes a district manager and hired part-time clerk. The manager and clerk are married and operate the district's administrative function out of their residence.

### **District Can Reduce Risk by Strengthening Fiscal Controls, Board Oversight**

Benson lacks some fiscal controls that can help reduce risk of loss and ensure district funds are managed appropriately. Among the missing controls, the district board should establish proper separation of duties involving financial transactions, including addressing conflict of interest issues. The board should also strengthen board oversight of expenses, deposits, fund balances, district inventory, and bonding levels.

---

**Benson district needs more board oversight of fiscal controls. The manager and clerk, who are married, operate the district from their residence.**

---

**The Little Manual compiled by the Office of the Utah State Auditor provides guidance to local districts.**

## Inadequate Separation of Duties Can Lead to Weak Fiscal Controls

Benson lacks proper separation of duties in handling district finances. Separation of duties is an important internal control that limits the ability of one person to receive, access, and disburse an entity’s funds. *The Little Manual*, a compilation of local district statutes issued by the Office of the Utah State Auditor, states that “in order to properly design ‘checks and balances,’ several people will usually be involved in the accounting.” Each governing board is required to elect a chair and appoint a district clerk and treasurer, whose duties are to be held by, or delegated to, separate individuals (*Utah Code* 17B-1-309). Figure 3.1 shows the financial duties of each position as outlined in the *Little Manual*.

**Figure 3.1 Financial Duties by Position.** Each district board is required to fill positions with separate financial duties.

Position	Duties
Board Chair	<ul style="list-style-type: none"> <li>Conducts meetings</li> <li>Signs checks<sup>3</sup></li> <li>Provides oversight of financial operations</li> </ul>
Clerk	<ul style="list-style-type: none"> <li>Maintains financial records</li> <li>Prepares checks after determining that the claim:               <ul style="list-style-type: none"> <li>Has been authorized by the board</li> <li>Does not over expend the budget</li> <li>Has been approved in advance</li> </ul> </li> <li>Presents a financial report at least quarterly to board</li> <li>May not sign a single signature check</li> </ul>
Treasurer	<ul style="list-style-type: none"> <li>Signs checks after determining sufficient funds are available</li> <li>Maintains custody of all money</li> <li>Deposits and invests all money</li> <li>Receives all funds</li> <li>Issues a receipt for money received</li> </ul>

Source: Office of the Utah State Auditor Little Manual – Local & Special Service Districts, Revised June 2014

<sup>3</sup> Although the board chair is not statutorily required to sign checks or provide oversight of financial operations, these are common practices among the districts.

Small districts often have a challenge maintaining separation of duties, but it can be accomplished by proper oversight. In Benson, the clerk, treasurer, and chair positions are appropriately delegated to separate individuals. However, the district manager reported that the treasurer is frequently out of town and other board members are not always available. As a result, the clerk currently has authority to receive checks and cash from customers, to deposit funds, to issue checks for supplies or other expenses, to be a signatory on some checks written from the district bank account, and to reconcile funds at the end of the month.

The district's lack of appropriate separation of duties can be mitigated somewhat with its use of online banking. The district is developing controls that will use the district's bank as the custodian of district funds. Presently, financial software tracks each customer's payments and deposits. Additionally, the district is setting up a control so that expense reports will be emailed directly from the bank to the treasurer, who will review deposits and disbursements and report to the board on his oversight review. Finally, as required by statute, the district board should provide necessary oversight by reviewing expenses at least quarterly.

A separate review performed in 2014 by an independent accounting firm also recommended stronger controls. The firm recommended that "the District acquire additional accounting personnel, or have a member of the Board of Trustees become involved in the accounting functions" as a necessary step to prevent any one person from having too much access to district funds. We agree with the recommendation that the board improve district internal controls, including clearly delineated separation of duties, and adopt them in district policy.

Still, with proper separation of duties, the district board needs to strengthen fiscal controls that address the conflict of interest issues. For example, the district manager owns an excavating company and contracts with the district on small projects to repair broken lines or install new infrastructure. As contractor, the manager can self-assign projects to be completed without independent verification over the need or cost of the project. Further, the district needs to bid out all professional services every five years, including for the contractor's work. A second conflict occurs when the manager submits an invoice to his wife, the district clerk, for processing of payment. Given the

---

**While clerk, treasurer, and chair duties are held by three individuals, accounting responsibilities are not sufficiently separated.**

---

---

**Benson is developing external fiscal controls to augment its limited internal controls.**

---

---

**The district board can address district conflict of interest issues by providing independent review over clerk and manager positions.**

---

relationship of the contractor to the district clerk, the district board should develop proper fiscal controls to provide independent oversight with regard to these two conflicts.

### **Weak Board Oversight Places District at Higher Operational Risk**

The governing board needs to provide greater oversight of the district by closely reviewing fund balances, deposits, expenses, and inventory, as well as reviewing which district members are bonded, which are required to be bonded, and what statutorily-required bonding levels are in place.

**The Benson Board Must Provide Better Oversight of Finances and District Inventory.** According to the board chair and treasurer, the Benson board typically reviews finances once a year, at the time the audited financial statements are made available. However, *Utah Code* 17B-1-642 requires expenses to be reviewed quarterly. The board's infrequent review of district funds is not in compliance with state statute. Further, more frequent review of expenses, deposits, and fund balances will better protect district assets by minimizing risk.

The board also needs to implement additional controls over the accounting process. For example, in our review of district invoices, we found one instance where funds for the manager's contracting work and his grandson's district work were commingled. The manager/contractor billed for his district-related contract work and his grandson's work for the district on one invoice to be paid with one check. The district believes that after the check was issued and cashed the funds eventually were given to the grandson. However, there was no documentation to verify whether the grandson also received wages for that same project in a separate check.

Another area for which the board should provide greater oversight is the tracking, use, and storage of district assets. The district clerk and manager have made efforts to track district assets by maintaining an inventory list. This lists also includes personal assets because the district office is in the manager's personal residence. However, the inventory has not been kept up to date; some equipment purchased in 2014 and 2015 was not found on the list. Much of the district's inventory is used and stored by the manager (who also owns an excavating company) at his residence rather than at the district-owned pump house. Because the inventory list is not up to date and assets are

---

**To be in compliance with Utah Code and to reduce risk, the district board must review expenses at least quarterly.**

---

---

**Benson board needs to develop policy on how district assets are tracked, utilized, and stored.**

---



not tagged as district property, it is difficult to distinguish district property from private property. We recommend the board develop a policy on how district assets are to be tracked, utilized, and stored.

**The District Board Should Review Bonding Levels to Ensure Funds Are Used Effectively.** Pursuant to the Utah Money Management Act (*Utah Code* 51-7), every public treasurer is required to secure a fidelity bond in an amount appropriate to the public entity's budgeted gross revenue. These bonds insure against loss for the treasurer as custodian of district funds. District employees are not statutorily required to be bonded; rather, the board determines what level of risk the district will assume.

Benson provides \$24,000 worth of fidelity bonding for its board treasurer, \$5,000 for other board members, and up to \$18,000 for the clerk. While bonded as required, the district treasurer is required to be bonded for at least \$9,000, according to the Utah Money Management Council's requirements. We recommend that the district board review bonding requirements to determine the appropriate level of risk the district desires to assume.

## **Benson District Board Needs to Review and Strengthen Policies in Key Areas**

In addition to already established policies, the district board needs to develop a personnel policy as required by law. The board should also consider adopting conflict of interest and nepotism policies that follow state law, as four family members currently work for the district. The Utah Association of Special Districts (UASD) provides training, policy templates, and other support, which could provide policy guidance to the district. Adopting and improving policies will help to strengthen the district's administrative processes, especially in accounting and personnel management.

### **Benson Lacks a Pertinent Nepotism Policy**

The Benson district does not have a nepotism policy. Four related individuals currently work for the district, with two employees being directly supervised by a third family member. The Benson district manager is married to the district clerk and he both employs and supervises his son and grandson on district projects. Local district boards must adopt a nepotism policy that is in compliance with state

---

**While employed family members meet statutory nepotism exceptions, the district lacks a pertinent nepotism policy.**

---

law. Anti-nepotism law in *Utah Code* 52-3-1 prohibits the employment and supervision of relatives, and defines relative as a “father, mother, husband, wife, son,...[and] grandson....”

Although the district is subject to the aforementioned statute, the anti-nepotism law provides the district a possible exception. If a related individual works for fewer than 12 weeks, he or she is permitted to be employed, despite being related to an employee. The district reported that neither the son nor grandson has worked the equivalent of 12 weeks during the year. This exception also applies to the direct supervision of family members, if employed for fewer than 12 weeks. Although the district appears to meet this exception, the board should closely oversee the employment of family members to verify all conditions for employment are met. Additionally, the board should still consider adopting a nepotism policy as a good practice to avoid future conflicts. The district reported being in the process of adopting a nepotism policy. A conflict of interest policy and fiscal controls also need to be created to address the contractor’s work as manager and the payment processing performed by his wife, the district clerk, as mentioned earlier.

---

**A district conflict of interest policy should also be created and followed.**

---

### **Employee Duties and Pay Unclear Without a Personnel Policy**

Benson does not have a personnel policy setting forth job duties and compensation guidelines for district employees. *Utah Code* 17B-1-802 requires each district to have a personnel policy by stipulating “each local district that has full or part-time employees shall annually review its personnel policies to ensure that they conform to the requirements of state and federal law.” Because the district has hired a part-time clerk and temporary employees, it is required to have a personnel policy.

The Benson board chair indicated that the district manager acts in a hybrid role by working as both a hired contractor on infrastructure projects, and a volunteer in performing many of the day-to-day operations of the district. The temporary employees also have hybrid roles, working part-time for the district and for the manager as contracted employees. Personnel policies are not required for contractors, only employees. However, the district has neither documentation that clarifies the hybrid role of the district manager or temporary employees, nor a contract in place with the contractor.

---

**Benson’s lack of statutorily-required personnel policy has resulted in payment for unrecorded employee hours.**

---

Clarity is needed on the roles of the district manager and employees. Currently, the employees do not have an established pay rate; in reviewing 2014 district checks and invoices, we found they were paid in large block sums for an unrecorded number of hours.

Contract work, as a professional service, should be competitively bid every five years. The district has not solicited bids for work needed in the district. One board member explained that he believes the manager saves the district money every year by doing most of the district's work projects. However, the lack of independent oversight of contractor payments and the failure to periodically bid out work projects limit the board's ability to provide sufficient oversight of district expenses. Establishing a personnel policy will aid the board in providing adequate independent oversight for work performed for the district and the distribution of funds for those purposes.

### **Benson Board Has Recently Developed Records Management and Procurement Policies**

The Government Records Access and Management Act (GRAMA, see *Utah Code* 63G-2) was drafted to provide access to unrestricted public records and protections for certain private/personal records collected by the government. Two independent reviews of the district's compliance with governance laws indicated the district's need to adopt a records management policy. During the course of our audit, the district drafted the policy. *Utah Code* 63G-2-108 also requires the records officer to annually complete an online GRAMA training. The district clerk completed this training in September 2015.

In January 2015, the district board adopted a district procurement policy. This policy was adapted from a UASD template and appears to be in line with state purchasing rules. The district needs to develop a contract with the district manager for his contract work; in the future, contracts should be entered into for outside services. Once established, contracts with professional service providers should be competitively solicited every five years; however some exceptions exist.

### **Increasing Expenses Indicate Need for Long-Term Planning**

District financial statements are reported annually with the assistance of a CPA. Over the last three years, the district has spent

---

**Benson recently drafted a records policy. The district also adopted a procurement policy in January 2015.**

---

more money than it received in revenues and, as a result, has a declining net position. Additionally, because Benson maintains district reserves in a capital facilities fund, developing a capital facilities plan is required. A master (build-out) plan could also assist the district in addressing the possibility of future growth and the need to repair or replace aging infrastructure.

**Financial Statement Review Shows that Expenses Outpace Revenues**

According to the 2014 annual financial statements, the Benson district appears to be in a reasonable financial position, though the district’s net position has slightly declined over the last three years. During that same period, revenues were outpaced by district spending. Figure 3.2 summarizes some financial information reported from 2012 to 2014.

**Figure 3.2 District Expenses Exceeded Revenues Over Last Three Years.** Liabilities have also decreased in that same period.

	2012	2013	2014
Assets	\$ 1,099,300	\$ 1,054,000	\$ 1,009,600
Liabilities	253,600	230,500	208,700
Net Position	\$ 845,700	\$ 823,500	\$ 800,900
Revenues	\$ 117,500	\$ 141,700	\$ 128,400
Expenses	133,800	156,000	143,300
Difference	\$ (16,300)	\$ (14,300)	\$ (14,900)

*Source: Benson 2012-2014 year-end audited financial statements*

**While Benson has dipped into district reserves to pay for operations, two bonds will be retired in the next three years.**

The district treasurer indicated that the overspending occurred in an effort to keep district water costs down for customers. However, the 2014 budgeted numbers show that the district overestimated revenues and underestimated expenses compared with 2014 actual numbers. Fortunately, the district has maintained a reserve of approximately \$82,000 in unrestricted funds from surplus years that can be used to cover district spending on a short-term basis. The Benson board should address the district’s overspending by either decreasing spending or increasing fees, depending on future needs. Taking Benson’s reserves into account, the district operating reserve is adequate (ratio of 0.57) to suggest that the district will be able to cover up to six months of expenses.

Finally, as of 2014, Benson has a total bonded indebtedness of \$203,000 (the district may have other short-term liabilities in addition to this amount) and is scheduled to pay off one bond in January 2016 and another in late 2018. Retiring these bonds will provide more funding for the district's operations. Benson has a debt ratio of 0.21, which indicates that the debt level is manageable at this time and the majority of district assets are financed through equity.

### **District Lacks Strategic Plans to Account for Growth, Future Needs**

The district currently maintains a reserve (\$78,500) in a capital projects fund and, according to accounting principles, should adopt a capital facilities plan. A capital facilities plan accounts for current and future maintenance, repairs, and replacement of district assets. It should indicate how capital projects funds are to be spent on capital facility needs. We recommend that, as long as the district has a budgeted capital projects fund, there should be a corresponding capital facilities plan formally adopted and periodically reviewed.

The Benson district also lacks a master plan. A master plan is intended to account for district growth and development, including corresponding infrastructure and water needs. Although a master plan is not legally required, it is a good practice and useful for future planning. Some of the water improvement districts we reviewed have master plans, with 5-year, 10-year, or 30-year plans. We believe the development of a master plan is a good practice and recommend that the Benson district develop one to better plan for changes the district may face in years to come.

Lastly, Benson has a contingency plan in case of a future emergency. Although only a verbal agreement with a nearby town, the contingency plan stipulates the district and town will share water in the event that either entity's source of water or infrastructure is compromised. The district already has the necessary infrastructure in place to fulfill this agreement. We recommend that, if the Benson district wishes to continue this agreement, an agreement should be written, signed by both parties, and formally adopted by the board.

---

**When district funds are maintained in a capital facilities fund, districts need to have a capital facilities plan.**

---

---

**Having a master plan is good practice and could help Benson to anticipate future district growth and infrastructure needs.**

---

## Recommendations

1. We recommend that the Benson board implement proper fiscal controls by defining in policy appropriate separation of duties among those involved in the accounting process.
2. We recommend that the Benson board provide greater oversight of district operations by:
  - a. Reviewing, at least quarterly, district revenues, expenses, and overall fund balances
  - b. Reviewing district bonding levels
3. We recommend that the Benson board adopt nepotism, conflict of interest, and personnel policies.
4. We recommend that the Benson district develop a capital facilities plan and consider developing a master plan to provide a blueprint for future growth.

## **Chapter IV**

# **East Duchesne Water District Needs Proactive Oversight**

East Duchesne Culinary Water Improvement District (referred to as East Duchesne or the district) needs improvement in four areas. First, the district is in violation of Utah’s conflict of interest law. Second, financial controls and board oversight are inadequate. Third, the district needs to adopt additional policies to comply with state laws and guidelines for local districts. Fourth, the district is in need of long-term planning, given the volatile local economic conditions, to help ensure long-term financial viability.

East Duchesne was founded in 1980. Prior to its existence, residents used wells, springs, or water hauled from other sources. The current manager has been with the district since 1991. The district has about 400 connections and continues to expand. In 2014, the district added 17 new connections. The district is governed by a five-member elected board and managed by a certified operator, who is also a licensed contractor specializing in septic, sewer, and pipeline work.

### **East Duchesne Must Comply With Utah’s Conflict of Interest Law**

The district must address a conflict of interest that involves the lease of heavy equipment. This leasing practice is not compliant with state statute addressing local districts’ operations. Specifically, the district’s manager-secretary does most of the district’s construction work himself. Because he is also a private contractor, he leases his own personal equipment to the district at a predetermined rate.

Equipment hours charged to the district are not pre-approved by the board or independently verified. Thus, the board cannot be certain that monthly payments for leased equipment are accurate and appropriate. This arrangement is not consistent with *Utah Code 67-16-9* (Ethics Act) which reads: “No public officer or public employee shall have personal investments in any business entity which will create a substantial conflict between his private interests and his public duties.” We believe this situation represents a substantial conflict

---

**The district’s manager leases personal equipment to the district to complete most construction projects.**

---

because the manager-secretary's private interests could affect his decision on when and how often to use his equipment. However, we did not find any evidence of excessive use or inflated billings.

The manager-secretary informed us that, several years ago, members of the board contacted local construction companies to gauge the interest in providing contracted equipment services to the district. The board informed potential contractors that they wanted a contract that would require them to pay a fixed rate to lease equipment, with charges accruing only when the equipment was being used, with no minimum or maximum usage requirements. While the district was not able to provide documentation of these conversations, the manager-secretary informed us that no contractor was interested in providing equipment with these specific stipulations at an equal or lesser price than he would charge.

The manager-secretary leases four pieces of equipment to the district. Figure 5.1 shows the hourly rate charged to the district for each piece of equipment.

**Figure 5.1 Equipment Leased to the District.** The manager-secretary charges an hourly rate to the district for the use of his equipment.

Equipment	Price/Hour
Track Hoe	\$125
Wheel Loader	80
Back Hoe	75
Dump Truck	95

In 2014, the district paid the manager-secretary \$58,000 (in addition to his \$53,800 annual wages) for the lease of his equipment. This situation appears to be inconsistent with statute because the manager-secretary is personally benefitting from his position by acting as both a full-time district employee and an entity doing business with (and receiving compensation from) the district.

East Duchesne has several options to resolve its conflict of interest. For example, the state of Utah has a cooperative contract with a large, established company to provide heavy equipment rentals. The company has a location in Vernal, about an hour from Duchesne City. The state has negotiated a 30 percent discount with this company. The district could lease equipment from this company or another successful

---

**East Duchesne did not document its efforts to secure a contract for equipment rentals from third parties.**

---

---

**Regional state-negotiated cooperative contracts exist for the rental of heavy equipment.**

---



bidder to complete its non-emergency projects. The district should first determine the specific equipment necessary to complete its responsibilities and then decide if this option is a reasonable solution.

The district could also competitively bid the entire district's management and operations to an entity capable of handling the district's day-to-day and emergency needs under the supervision of the board. We recommend that the district consider these or other options available to gain compliance with state statute. East Duchesne can look to other local districts for suggestions.

### **East Duchesne District Could Benefit From Additional Controls and Oversight**

East Duchesne needs additional board oversight, especially in areas that currently have limited financial and management controls. Separation of duties is challenging because the district has only one employee. However, the governing board can provide better oversight over most expenditures and establish more stringent controls. The board should also obtain a bond for the board treasurer.

#### **Fiscal Controls by the Board Are Inadequate**

Separation of duties, an important fiscal control, is lacking in the East Duchesne district because the district has only one employee. Oversight, as a compensating control, has been inadequate. The district's board needs to provide better oversight of the district's payment process to reduce risk.

**The Board Allows Its One Full-Time Employee to Handle Most of the Financial Responsibilities.** The manager-secretary performs the duties of both the manager/operator and the district secretary. Thus, day-to-day operations lack the internal controls established by segregating duties among multiple employees. Most, but not all, duties of the sole full-time employee are outlined in the manager and secretary job description documents.

The manager's written administrative responsibilities include:

---

**District's sole full-time employee is in charge of most fiscal responsibilities.**

---

- Preparing checks for signature by the board
- Maintaining the district's financial records (for example, accounts receivable and accounts payable)
- Monitoring inventory
- Emergency purchasing
- Preparing purchase requisitions for routine purchases
- Reconciling bank statements
- Recording minutes at board meetings
- Presenting a financial report to the board each month
- Supervising the part-time employee(s)

In addition to these documented responsibilities, the manager signs some dual signature checks. He also makes most routine purchases for the district without submitting a requisition or seeking prior approval for specific items. These responsibilities are sanctioned by the board.

Giving a single employee this range of responsibilities without day-to-day oversight is difficult to avoid in small districts. However, additional controls in terms of more oversight would reduce the associated risk.

**Payment Process Has Limited Board Control.** It is appropriate for the person who prepares checks and maintains financial records (manager) to sign the checks as long as there is a second signature. East Duchesne does require a second signature by a board member. However, the district's bylaws do not allow the manager to sign checks. According to the bylaws, only the treasurer and either the board chair or vice-chair can sign checks. We feel that the requirement established in the bylaws is a high but appropriate standard, given that the district's manager handles all the purchasing and financial recordkeeping.

In addition, rather than the manager reconciling the bank statements, a better control would be for a board member (not performing treasurer duties) to conduct the reconciliation. However, if the manager continues with this responsibility, the reconciliation should be reviewed each month by at least one board member.

### **Weak Board Oversight Creates Additional Risk**

The district board has a great deal of trust in the district manager and, as such, has reduced its oversight. The current level of board

oversight does not meet generally accepted business practices and can result in problems for both the district and its manager. As stated earlier, a conflict of interest exists because the manager leases his own equipment to the district. In addition, the manager has been given leeway in district purchasing, tracking purchase invoices, hourly payroll charges, and verification of leased equipment costs. A final oversight issue is the absence of a fidelity bond for the treasurer.

**The District Board Delegates to the Manager Sole Responsibility for Purchases.** According to the manager’s job description, the board has authorized the manager-secretary to make emergency purchases and submit purchase requisitions for necessary supplies “essential to system operations.” However, in practice, both emergency and routine purchases are made prior to board authorization and presented to the board for approval and payment after the goods have been purchased and received by the manager-secretary.

Many routine and emergency purchases are made each month. For example, in April 2014, the manager purchased over 200 individual items, totaling \$7,142 of supplies in more than 16 transactions. As a means of internal control, invoices and statements are reviewed by the board once a month. This internal control is not adequate because item descriptions listed on invoices are not always clear and item uses are not documented. Unnecessary items or misstatements may be difficult for the board to prevent, or detect and correct, on a timely basis.

We recognize that limited purchasing oversight is a common feature of a small district with only one full-time employee. However, the district should consider adhering to the standard established in the district-created manager job description that requires purchase requisitions for all non-emergency supplies. The board may also consider requiring a brief, written description of each item purchased and its purpose.

**Some Billing Statements Could Not Be Verified Because Invoices Were Missing.** Our review of eight months of expenses identified three missing invoices from the main supply company in two separate months. The missing invoices totaled \$2,159.08. The item descriptions on the statements either say “stock” or do not contain a description. It appears that board members were aware that

---

**Most routine and emergency purchases are made prior to board authorization.**

---

---

**Missing invoices totaled over \$2,000.**

---

the invoices were missing in both instances because only the accounted-for invoice totals were checked off on the statement. However, in both occurrences, board members signed off on the billing statements and paid the full amount. Board minutes did not mention the missing invoices. In addition, an auditor observed a board meeting during which the board members did not compare prepared checks to the invoices and statements to ensure that payments were accurate.

*Utah Code* 17B-1-642 allows the board to authorize the district manager to act as the financial officer for the purpose of approving routine expenditures, including supplies. However, the same section of statute also states that the board must review all expenditures at least quarterly. Part of this review should include questioning instances when invoices and statements do not match. We recommend that the board ensures that invoices match both statements and prepared checks before authorizing payment.

**Independent Verification of Payroll Hours Charged to the District Is Lacking.** East Duchesne has one permanent, part-time employee, who does not have a set schedule and works only when needed. When he is not working for the district, the employee works on the manager-secretary's private farm. He makes the same hourly rate for each job, \$19.90 per hour. In 2014, he was paid \$11,280 by the district. The manager-secretary reports the part-time employee's hours to the board for approval and payment. However, there is no oversight to ensure that the hours being reported to the board for payment are appropriate. We recommend that the board determine a method to verify hours worked by the part-time employee.

**The Board Cannot Verify Hours Billed to the District for the Equipment Lease.** As discussed earlier, the manager-secretary of the district leases four pieces of his construction business equipment to the district at an hourly rate. The hours for the equipment leased are maintained by the manager-secretary and submitted to the board each month for approval and payment. However, this practice lacks independent oversight to ensure that the hours charged are accurate.

**The Treasurer Does Not Have a Fidelity Bond.** The person with custody of the assets (typically called the treasurer) is required by law to be bonded. *Utah Code* 51-7-15 requires any local district with budgeted revenue of over \$500,000 to obtain a 7 percent (but not less

---

**Payroll hours and hours for equipment used, billed to the district, are not independently verified.**

---

than \$40,000) fidelity bond for the treasurer. This requirement helps protect public funds. East Duchesne has budgeted revenue of \$557,000 for 2014, so it should maintain a \$40,000 bond for the treasurer. The board should take the necessary action to ensure that the treasurer is bonded for the appropriate amount.

## **East Duchesne Board Needs to Implement Some Key Policies and Procedures**

East Duchesne has insufficient management policies and procedures. The district is not compliant with the Utah Public Officers' and Employees' Ethics Act and should develop a conflict of interest policy and address its conflict of interest. The district also does not have purchasing or personnel policies. The district does have a records management policy, but it is incomplete. In addition, the district recently adopted a resolution to comply with the state's nepotism laws. The Utah Association of Special Districts (UASD) can help districts establish policies. For example, UASD has a template for a purchasing policy and records management policy that districts can adopt or refer to in the development of their own policy.

### **East Duchesne Is Not Compliant With State Purchasing Requirements**

In addition to the district's conflict of interest issues, East Duchesne does not have a purchasing policy. Water improvement districts are required to follow Utah Procurement Code. The district can adopt its own purchasing policy as long as it is compliant with state requirements.

As discussed earlier, East Duchesne completes most district projects using equipment leased from the manager-secretary and does not solicit bids. The district does not have documentation showing that the district is receiving the best value for its money. For example, equipment rental for one meter installation in 2014 cost the district over \$10,000. Because this project was not competitively bid, the district and customers do not know if the expended amount is reasonable.

According to state purchasing requirements, the single procurement aggregate threshold is \$5,000, with an annual cumulative threshold of \$50,000. However, East Duchesne can develop its own

---

**The district is not using a competitive bid process for some projects that are above state-established minimums.**

---

purchasing policy with specific cost levels for competitive bidding. A purchasing policy will help the district find best-value, competitive services. The district should also consider how it will handle emergency purchasing in its policy.

### **East Duchesne District’s Nepotism and Records Management Policies Are in Process**

At the beginning of the audit, the district did not have a nepotism policy in place, but has now adopted a policy to follow the state’s anti-nepotism laws. The district does have a records management policy but the policy lacks certain key elements.

**A Nepotism Policy Was Established During the Audit.** In September 2015, the board passed a resolution to adopt *Utah Code* 52-3-1 as the district’s nepotism policy. The law states the following:

No public officer may employ, appoint, or vote for or recommend the appointment of a relative in or to any position or employment, when the salary, wages, pay, or compensation of the appointee will be paid from public funds and the appointee will be directly supervised by a relative...

Based on the exemptions provided in *Utah Code* 52-3-1, East Duchesne does not have any nepotism violations. However, the board chair and the district’s part-time employee are related (father and son). We believe that this relationship does not violate the anti-nepotism law because the employee is directly supervised by the manager-secretary, not the board chair. In addition, the employee was hired by the district after the board chair resigned from his position with the district and before he was re-elected. The anti-nepotism law allows direct supervision of a relative if “...the relative was appointed or employed before the public officer assumed his position...”

It appears that the board chair has abstained from board decisions regarding his son. We believe that this is an appropriate action and recommend that the board chair should continue to recuse himself from any decisions related to his relative in the future.

**The Government Records Policy Is Not Complete.** *Utah Code* 63G-2 applies to all local districts and addresses records retention and management. The district’s policy covers the cost to fulfill requests,

---

**East Duchesne has precluded potential violations of state nepotism requirements.**

---

but does not include provisions on how long to retain records, nor does it establish in what circumstances to provide or restrict public access. The district should complete its policy or comply with state statute.

The district's policy does not establish record retention guidelines. Different retention lengths of time are required, depending on the type of document. The Division of Archives & Records Services provides specific schedules for maintaining administrative and operational records, such as a requirement that invoices must be retained for four years. The district should comply with this schedule as it develops its record retention policy.

The district's policy fails to address public access procedures. The district should modify its policy to include a procedure for both requesters and district response. East Duchesne should also identify all confidential documents and classify them as protected based on criteria found in *Utah Code* 63G-2-305. The district can review the Government Records Access and Management Act found in *Utah Code* 63G-2.

In addition, East Duchesne should appoint a records officer. The records officer can manage records and requests. The officer is required to complete an annual online training. The records officer can also coordinate with the state records ombudsman, if necessary.

### **East Duchesne District Does Not Have a Personnel Policy**

*Utah Code* 17B-1-801 through 803 applies to districts with over \$50,000 in annual revenue. The law requires that the district establish a personnel policy to avoid noncompliance with state and federal law. East Duchesne should establish a formal personnel policy that addresses, at a minimum, the following:

- Vacation, sick leave, and holidays
- Reimbursement of employee expenses
- Grievance process
- Work hours, approval of leave, and overtime pay

---

**District's government records policy is lacking retention and public access components.**

---

---

**A personnel policy is needed to help protect the district and its employee(s).**

---

- Reporting of accidents
- Sexual harassment
- Drugs

A personnel policy protects the employee by helping ensure that the district is compliant with state employment law while providing the employee with written policies and expectations. It can also reduce the likelihood of a legal dispute between the district and an employee, because these policies and expectations are agreed to upon employment.

### **Long-Term Planning Could Strengthen The District's Financial Soundness**

East Duchesne is currently financially sound. However, the district does not have a formal master plan. The district should plan for growth and the building and replacement of infrastructure.

#### **Financial Statements Indicate that District Is Financially Solvent**

The manager-secretary reported to us that all district money is held in a proprietary account. The district has been increasing its net position for the past two years. At the end of 2014, the district's net position was just under \$3 million.

The district has few liabilities, but they increased slightly in 2013 because of additions to the water infrastructure. However, the district's position is sound because three-year revenue has outpaced three-year expenses and the district had about \$300,000 in unrestricted reserves at the end of 2014. Figure 5.2 shows the net position as well as revenue and expenditures for the past three years.

---

**New infrastructure has added to the district's total assets.**

---



**Figure 5.2 District’s Financial Position from 2012 to 2014.** The district’s net position has increased over the past three years.

	2012	2013	2014
Assets	\$ 2,792,500	\$ 2,927,900	\$ 3,024,700
Liabilities	69,200	86,200	67,800
Net Position	\$ 2,723,300	\$ 2,841,600	\$ 2,956,900
Revenues	\$ 486,900	\$ 648,600	\$ 656,100
Expenses	383,300	528,500	539,300
Difference	\$ 103,600	\$ 120,100	\$ 116,800

Source: East Duchesne 2012-2014 year-end audited financial statements

Assets were highest in the most recent year examined, while total liabilities were lowest in that same year. According to the manager-secretary, the district used about \$230,000 in reserves in 2013 to pay for a new pipeline. Meanwhile, growth in operating income outpaced operating expenses. The debt ratio is 0.02, in part because by the end of 2014, the district had just \$30,000 left on its only bond. The financial position of the district may be affected by the \$435,000 pipeline project currently occurring in the district. The pipeline is being financed by a \$207,000 grant and district funds.

The district’s financial position may be vulnerable due to major fluctuations in consumption because of unique, local economic conditions. The manager-secretary informed us that about 50 percent of the district’s revenues come from the oilfield. However, when the oil business leaves the area for new opportunities, commercial sales plummet. As of the September 2014 board meeting, the manager-secretary stated that the district has only made 46 percent of its expected annual revenue, but it has also expended only about 35 percent of the budgeted amount. The potential for vastly fluctuating revenues and expenditures demonstrates the need for a long-term plan.

**East Duchesne Does Not Have a Master Plan**

Long-term planning can reduce financial risk for the district. While a master plan is not required, it is a good practice to understand and plan for future needs.

---

**Unique local economic conditions increase the district’s long-term financial risk.**

---

---

**No formal plan exists that addresses build-out, changes in supply or demand, and infrastructure.**

---

No formal plan exists for the long-term maintenance and replacement of infrastructure. In addition, the district has yet to reach maximum build-out, but has not fully determined the impact of potential new connections within the district. Increases in demand, decreases in supply or changes in supply costs, and deterioration of infrastructure can all affect the district's financial position. A master plan will help the district identify these changes and adjust rates, fees, and expenditures accordingly. The district can look to other water improvement districts in the state for examples of long-term plans.

The district has made efforts to secure alternate sources of water for the future and has formed one contract for surplus water from a neighboring district. East Duchesne also has a commercial connection with Duchesne City's water system. However, a contract between the two entities does not exist, and thus, Duchesne City may be able to terminate the connection at any time.

## **Recommendations**

1. We recommend that the East Duchesne district address its conflict of interest issue.
2. We recommend that the East Duchesne board implement better controls over the accounting process and provide better oversight of purchasing.
3. We recommend that the East Duchesne board obtain an appropriate fidelity bond for the treasurer.
4. We recommend that the East Duchesne district:
  - Develop the following policies: conflict of interest policy, purchasing policy, and personnel policy
  - Amend its records access policy to include records retention procedures
5. We recommend that the East Duchesne district consider developing a long-term master plan that addresses growth and infrastructure replacement.

## **Chapter V**

# **White City Water District Is Well Managed, but a Few Processes Can Be Enhanced**

White City Water Improvement District (referred to as White City or the district) has reasonable controls to minimize risks for the accounting of funds. The governing board also provides adequate oversight of the operations. White City has policies in place as required of local districts. However, two professional services should be competitively procured this year to comply with purchasing policies, and administrative policies should be updated. White City is financially stable, even though the district has substantial debt. The district's comprehensive long-term planning contributes to the district's favorable financial position.

In 1955, the White City Water Company was organized to provide water to the White City community. When the original founders of the company died, their heirs decided to sell it. The company's water users organized and petitioned Salt Lake County to create the White City Water Improvement District. In 1994, the water users voted in favor of issuing bonds to purchase the company. In 1995, the district took over the operations of the company's water system.

The improvement district is governed by a five-member elected board of trustees and provides water service to the White City community and portions of Sandy City. The sources of water include nine wells that provide high-quality water that do not require any chemical treatment. The system consists of four storage tanks, one booster pump station, and approximately 56 miles of distribution pipeline. The district has approximately 4,145 service connections (4,087 residential and 58 commercial).

### **White City Water District Has Good Fiscal Controls**

The district's fiscal controls provide reasonable assurance that risk of asset loss or theft is minimized. Also, the board of trustees provides adequate oversight of the district operations, including reviewing the district's finances monthly.

---

**White City Water District was created in 1994, and is governed by a five-member elected board of trustees.**

---

---

**The district has about 4,145 service connections (4,087 residential and 58 commercial).**

---

---

**The district's accounting duties are separated among the district employees and the board members.**

---

---

**The district follows the fiscal control guidelines prescribed for local districts by the Office of the Utah State Auditor.**

---

## **Separation of Duties Follow Recommended Guidelines**

The district has controls in place to accurately keep track of financial information. The district's separation of duties procedures are adequate, with accounting duties separated among the district employees and the board members:

- The district's assistant manager or financial clerk collects and records the payments and makes the deposits at the bank daily. Both of those employees also prepare the checks for the disbursement. However, the district accountant reviews the collection process.
- The general manager reviews each disbursement and signs the checks.
- A board member also reviews each disbursement and signs the checks. All checks require two signatures.
- The district's accountant maintains the accounting records and reconciles the bank statement with the checkbook monthly. The accountant oversees the activities of the accounting personnel and prepares the financial reports showing the financial position of the district.
- The board treasurer reviews the financial statements and the bank reconciliations monthly.

White City follows the guidelines prescribed for local districts by the Office of the Utah State Auditor. White City has designed controls with several people involved in the accounting process. However, not all of these practices are included in White City's administrative policies and procedures. White City should outline its separation of duties in its administrative policies and procedures manual.

## **Board of Trustees Provides Adequate Oversight**

The governing board for White City manages the district for the benefit of its constituents, and diligently provides oversight of the district. Each month, board members review the district finances, the year-to-date budget, and reserve funds amounts and activity. In addition, they also review monthly water usage and customer billings.

**Revenues and Disbursements Are Reviewed Consistently.**

Each month, the board compares total revenues with the budget. All disbursements are also reviewed monthly by board members. The monthly check register is provided to all board members before the monthly board meeting, so the board members can review each expense. This review exceeds the statutory requirement that governing boards must review disbursements quarterly.

---

**All disbursements are reviewed monthly by board members.**

---

**White City Water Board Could Reduce Fidelity Bond Amounts.** All public treasurers are required to be bonded in accordance with *Utah Code* 51-7-15. The district clerk and board treasurer are bonded for \$150,000 each. However, according to the guidelines, the public treasurer need not be bonded for over \$70,000. The Utah Money Management Council sets the bond amount based on the district’s gross revenue for the previous year. Also, all board members and employees have employee dishonesty bond coverage for \$50,000 per person. It is the board’s responsibility to determine risk levels for their district.

---

**The district’s fidelity bond, by choice, is higher than required.**

---

**White City Water District Has Policies, But Procurement Process Needs Attention**

White City District has an updated purchasing policy in place. However, the district needs to competitively procure two professional services and should retain documentation of all competitive bids as evidence that procurements were handled according to policy. White City also has other policies in place, including administrative, personnel, records management, and conflict of interest policies that are required of local districts. However, staff job descriptions in district policy needs to be updated.

**Purchasing Policy Is in Place, But Improvements Are Needed**

White City has a purchasing policy in place to identify the procedure for approval of all purchases by the district and to ensure that all such payments are fair and reasonable. In January 2015, White City updated its purchasing policy by resolution to bring the district’s policy in line with recent changes to the state’s procurement

---

**White City Water updated its purchasing policy in January 2015 to bring the policy in line with the state’s procurement code.**

---

code. Also, the resolution amended the district's policy on procurement thresholds.

We reviewed procurements for the past several years and found that the following two professional services are due to be reevaluated:

- White City has used the same auditing firm for the past 10 years, based upon an initial letter agreement with subsequent renewals. In compliance with *Utah Code* 63G-6a-1204(7) a request for proposals should be issued to obtain auditing services every five years unless the district documents the existence of a statutory exception. We were told that the district is going to competitively procure this service.
- White City's engineering services were last bid in September 2010, just over five years ago. In compliance with *Utah Code* a request for qualifications should be issued to obtain engineering services every five years unless the district documents the existence of a statutory exception. White City staff have stated that they intend to reevaluate engineering services at the end of this year.

Also, we asked to see the documentation detailing the procurement process for several purchases. All of the documentation detailing the procurement, such as the competitive bids, was not in the vendor files for either the auditing or engineering firm. White City should keep the documentation relating to all procurements as evidence that the procurements were handled appropriately.

White City was able to provide the procurement documentation for the residential water meter upgrade RFP and for the On-Call, Maintenance, and Pipeline Services RFP. We reviewed the procuring and scoring process for those two procurements. The documentation for the first procurement was complete, except it lacked the decision summary. The second procurement was well documented and the methodology appears appropriate and follows the district's procurement policy.

### **Other Essential Policies Have Been Established**

The district has policies in place, but job descriptions need to be reviewed and updated as needed to reflect current practices. The district's personnel policies are compliant with local district laws, and

---

**Two professional services, auditing and engineering, should be competitively procured or an exception should be documented.**

---

---

**Procurement documentation can be improved.**

---

the district's records management and conflict of interest policies are adequate.

**Some Administrative Policies Need Updates.** The general manager's duties need to be updated to include legal responsibilities. Other job positions for White City employees also need to be updated. As mentioned in the previous section in this chapter, the individual accounting duties should be described in the administrative manual. Also, the retirement section of the administrative manual needs to be updated to cover the changes in the two different tiers in the retirement system.

**Personnel Policies Are Compliant with Guidelines.** White City is compliant with *Utah Code* and has personnel policies to ensure that the district conforms to requirements of state and federal law. The district's personnel policy has been adopted for the purpose of guiding the district's efforts for quality performance, equity in employment, and employee career development. The personnel policies cover the necessary topics, such as vacation, sick leave, and holidays. The policies clearly detail disciplinary procedures and include a grievance process. The policies also outline recruitment procedures.

**The District's Records Management and Conflict of Interest Policies Are Adequate.** White City has adopted a records management policy that is consistent with *Utah Code* 63G-2. The district recognizes that the public has the right to access information regarding the conduct of the public's business. The district also has a conflict of interest policy to help minimize risk to the district.

## **Long-Term Planning Contributes to the District's Favorable Financial Position**

A review of the district's finances from 2012 through 2014 shows that the district is financially stable. The district does have substantial debt from purchasing a private water company and making infrastructure improvements. The debt appears manageable and the district has sufficient reserves. The district's comprehensive long-term planning contributes to its favorable financial position. The district updated its capital facilities plan in 2014, outlining infrastructure projects for the next 10 years. The district also updated its water master plan in 2010, projecting water requirements to 2050.

---

**White City Water's policies are adequate but can benefit from some improvements.**

---

Even though revenues have decreased for the last two years, revenues have been sufficient to cover district expenses.

## White City Water Is Financially Stable

Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the district is improving or deteriorating. Overall, the district's net position for 2014 is similar to its position in 2012, thus appearing stable. The net position did decrease by \$257,600 in 2013 because of a restatement of the prior year's net position for write-off of bond issuance costs. The \$263,500 increase in net position from 2013 to 2014 reflected an increase in capital assets net of related debt.

Figure 5.1 shows an overview of White City's finances. Even though revenues have decreased for the last two years and expenses have slightly increased, revenues have been sufficient to cover the district's expenses.

**Figure 5.1 District's Financial Position from 2012 to 2014.** The district's net position has been quite consistent, but expenses have been increasing each year by about 1.5 percent.

	2012	2013	2014
Assets	\$ 18,780,100	\$ 17,671,200	\$ 17,185,800
Liabilities	14,298,000	13,446,700	12,697,900
Net Position	\$ 4,482,100	\$ 4,224,500	\$ 4,487,900
Revenues	\$ 3,387,800	\$ 3,221,200	\$ 3,027,200
Expenses	2,687,900	2,721,600	2,763,700
Difference	\$ 669,900	\$ 499,600	\$ 263,500

Source: White City Water 2012-2014 year-end audited financial statements

Figure 5.1 shows that revenues have decreased for the last two years. Revenues have decreased because of weather. For example, 2012 was a hotter year with less rain than 2014, and customers used more water in 2012 than in 2014. The district does not levy taxes or charge impact fees to the water users. The district's water user fee is the main source of revenue. The decrease in revenues and capital assets depreciation contributed to the decrease of total assets in 2013 and 2014.

In 2013, expenses increased by \$33,700, primarily as a result of an increase in employee benefits. Expenses increased by \$42,100 in 2014 because of increases in salaries, wages, and payroll taxes and an increase in contract services. We reviewed White City's general ledger

The district's water user fee is the main source of revenue. The district does not levy property taxes.



for the past three years. The expenses appeared appropriate for the water improvement district.

Liabilities decreased both in 2013 and 2014. The district's total long-term obligations decreased in 2014 by \$655,000 and in 2013 by \$630,000. The district did not issue any new bonds during these periods, and the decreases represent principal payments on the outstanding debt.

The district's long-term outstanding debt totals \$11,930,000 as of 2014, with two general obligation bonds and two revenue bonds. Those bonds were issued to provide funds for the acquisition and construction of major capital facilities and to purchase the White City Water Company. The district has a debt ratio of 0.74.

Since the debt ratio is greater than 0.5, the majority of the district's assets are financed through debt; thus, the district is highly leveraged and not as financially flexible as other improvement districts. Of the districts we reviewed for this audit, White City has the highest debt ratio, but White City is also the only district we surveyed that purchased a previously existing water company.

However, it appears that the high debt level is manageable for the district. Cash flow is consistent and operating revenue has been sufficient to cover expenses, which include bond payments of about \$1.2 million annually. Also, White City has \$3,286,000 (\$698,299 are restricted) in reserves. Those reserves include emergency reserve funds, bond payment reserves, and capital projects funds. White City reserves are sufficient, with an operating reserve ratio of 0.94, to cover nearly a year's expenses.

### **District Has Sufficient Long-Term Plans**

The White City Water Improvement District updated its capital facilities plan in 2014. The plan outlines facility and pipe projects for the next five to ten years. In addition, the facilities plan projects pipe replacement and the associated costs through 2054. The district's culinary water system contains some aging infrastructure, with 10 percent of its water mains more than 50 years old. The plan recommends that a portion of the district's expenditures be put toward replacing old and aging pipe each year. The plan prioritizes seven pipeline replacement projects.

---

**White City Water is primarily financed through debt due to its purchase of the previously existing water company.**

---

---

**The district's high debt level is manageable. Cash flow is consistent, and reserves are sufficient.**

---

---

**White City Water's capital facilities plan was updated in 2014, and outlines specific projects for 10 years.**

---

The White City Water Improvement District contracted with an engineering firm to update its water master plan. The most recent water plan was completed in 2010, with projections through 2050. That plan shows that the district's water rights can meet the projected water requirements to the year 2040, with anticipated densification and redevelopment. Sometime between 2040 and 2050, the demand for water may exceed the district's water rights. The gap between the two amounts is not great and the district should have adequate time to accommodate the difference.

### **Recommendations**

1. We recommend that the White City's water board review insurance bonding levels.
2. We recommend that the White City district competitively bid professional services, following its purchasing policy procedures and retain all procurement documentation.
3. We recommend that the White City district update its administrative policies to include current job positions and duties.

## **Chapter VI**

### **Bona Vista District Is Well Managed, but Can Improve a Few Procedures**

Bona Vista Water Improvement District (referred to as Bona Vista or the district) has reasonable controls to minimize accounting and management risks. The governing board also provides adequate operational oversight. Bona Vista has policies in place as required of local districts. However, two professional services should be competitively procured to comply with purchasing policies, and administrative and personnel policies can be enhanced. Bona Vista is financially stable and does not have any long-term debt. The district also has adequate long-term plans in place that contribute to the district's favorable financial position.

The Bona Vista District was organized in 1956 by the Weber County commissioners. The improvement district is governed by a five-member board. Four board members represent municipalities and one board member is elected to represent the unincorporated areas within the service area.

The district provides culinary water to West Haven, Marriot-Slaterville, Plain City, Farr West, Harrisville, and to small areas within Pleasant View and West Ogden. The district also provides water to unincorporated areas in Weber County surrounding those municipalities. The district purchases treated water from the Weber Basin Water Conservancy District and Ogden City, which augment the district's spring. The district has approximately 7,000 service connections (6,550 residential and 450 commercial).

#### **Bona Vista District Has Good Fiscal Controls**

The district's fiscal controls provide reasonable assurance that risk of asset loss or theft is minimized. Also, the board of trustees provides adequate oversight of district operations, including reviewing the district's finances quarterly and expenses monthly.

---

**The Bona Vista District was organized in 1956 by the Weber County commissioners.**

---

---

**The district provides culinary water to several municipalities and unincorporated areas in Weber County.**

---

---

**The district's separation of duties help reduce financial risk.**

---

## **Separation of Duties Follows Recommended Guidelines**

The district has controls in place to accurately keep track of financial information. The district's separation of duties procedures are adequate, with accounting duties separated among the district employees and the board members:

- The district's office secretary or financial clerk collects the payments, records the payments, prints a receipt for each payment, (receipts lists the name, account number, and account balance) and makes the deposits at the bank daily. Collections are reviewed by the general manager.
- The office manager prepares the checks for disbursement and reconciles the bank statement with the checkbook monthly.
- The general manager, who is also the treasurer, reviews the financial statements and each disbursement and signs the checks.
- Either co-chair of the board also reviews each disbursement and signs the checks. All checks require two signatures.
- The district's accountant oversees the activities of the accounting personnel and prepares the financial reports showing the financial position of the district.

Bona Vista follows the guidelines prescribed for local districts by the Office of the Utah State Auditor. Bona Vista has implemented controls with several people involved in the accounting. However, not all of these practices are included in Bona Vista's administrative policies and procedures. Bona Vista should outline its separation of duties in its administrative policies and procedures manual.

## **Board of Trustees Provide Adequate Oversight**

The governing board for Bona Vista manages the district for the benefit of its constituents and diligently provides oversight of the district. Each month, board members review each disbursement, and, on a quarterly basis, the board reviews the district finances, updated budget, and reserve funds. They also review water usage. In addition,

---

**Fiscal controls involve both employees and board members.**

---

the board should consider reassessing the district's fidelity bonds, since the district exceeds the bonding requirements.

**Revenues and Disbursements Are Reviewed Consistently.**

Quarterly, the board compares total revenues with the budget. All disbursements are also reviewed monthly by board members. The monthly check register is provided to all board members before the monthly board meeting, so the board members can review each expense. This review exceeds the statutory requirement that governing boards must review disbursements quarterly.

**Bona Vista Board Could Reduce Fidelity Bond Amounts.** All public treasurers are required to be bonded in accordance with *Utah Code* 51-7-15. The treasurer is bonded for \$240,000. However, according to the guidelines, the public treasurer need not be bonded for over \$70,000. The Utah Money Management Council sets the bond amount based on the district's gross revenue for the previous year. Also, all employees have employee dishonesty bond coverage for \$60,000 per person. Board members have coverage under the district's general liability insurance. Employees are not required to be bonded, but it is the board's responsibility to determine risk levels for their district. The board should review the bonding requirements and reassess the bonding needs for the district.

---

**The board of trustees reviews the budget quarterly, and disbursements are reviewed monthly.**

---

---

**District bonding requirements should be reviewed and reassess by the board.**

---

**Bona Vista Can Enhance Two Policies**

Bona Vista District has an updated purchasing policy in place. However, the district needs to competitively procure two professional services and should have a contract for all professional services. Bona Vista also has other policies in place, including administrative, personnel, records management, and conflict of interest policies. However, staff job descriptions should be developed and the personnel policies can be enhanced to address additional personnel topics.

**Purchasing Policy Is in Place, but Two Professional Services Should Have Contracts and Be Reevaluated**

Bona Vista has a purchasing policy in place to identify the procedure for approval of all district purchases and to ensure that all

---

**In 2014, Bona Vista updated its purchasing policy to match recent changes to the state's procurement code.**

---

---

**Two professional services, legal and engineering, should be competitively procured or an exception should be documented.**

---

---

**Job position descriptions should be developed and included in the district policy.**

---

such payments are fair and reasonable. In 2014, Bona Vista updated its purchasing policy by resolution to bring the district's policy in line with most recent changes to the state's procurement code.

We reviewed procurements for the past several years and found that the following two professional services are due to be reevaluated:

- Bona Vista has used the same attorney for more than 15 years, but has never resolicited legal services. In compliance with *Utah Code* 63G-6a-1204(7) a request for proposals should be issued to obtain legal services every five years unless the district documents the existence of a statutory exception.
- Bona Vista has used the same engineering firm for about eight years. In compliance with *Utah Code* a request for qualifications should be issued to obtain engineering services every five years unless the district documents the existence of a statutory exception.

The district did not have a contract for either of these professional services. The district should have a contract, a retention letter, or some other appropriate document for all professional services that establishes the terms of the agreement by which the parties have stated their rights and duties. Contracts can help minimize the level of risk to the district.

### **Other Essential Policies Have Been Established, But Two Policies Can Be Improved**

Bona Vista has policies in place, but job descriptions should be included to reflect employee responsibilities and current practices. The district's personnel policies provide for basic employee benefits, but can be enhanced to address other personnel topics. Also, the district's records management and conflict of interest policies are adequate.

**District Policy Needs to Include Job Descriptions.** Job position descriptions for Bona Vista employees have not been developed, but should be included in district policy. Clear responsibilities outlined by position help the district operate efficiently. As mentioned in the previous section in this chapter, individual accounting duties should be described in the administrative manual that details the district's fiscal controls.

**Personnel Policy Could Be Enhanced.** Bona Vista has a basic personnel policy in place to ensure that the district conforms to requirements of state and federal law. The district's personnel policy has been adopted to guide the district's efforts to maintain equity in employment. While they cover the basic topics, such as vacation, sick leave, and holidays, the policies could be enhanced by including other items such as disciplinary procedures, a grievance process, and expense reimbursements as recommended in guidelines for local districts developed by the Office of the Utah State Auditor.

---

**District personnel policy could be enhanced by including items such as disciplinary procedures, a grievance process, and expense reimbursements.**

---

**The District's Records Management and Conflict of Interest Policies Are Adequate.** Bona Vista has adopted a records management policy that is consistent with *Utah Code* 63G-2. The district recognizes that the public has the right to access information regarding the conduct of the public's business. The district also has a conflict of interest policy to help minimize risk to the district.

## **No Long-Term Debt Contributes to the District's Solid Financial Position**

A review of the district's finances from 2012 through 2014 shows that the district is financially stable, and the district's net position has improved over the last two years. The district does not have any long-term debt and is able to pay for infrastructure projects from its existing reserves. Bona Vista's comprehensive long-term planning contributes to its favorable financial position. The district updated its capital facilities plan and impact fee facilities plan in 2012, outlining 19 projects for the next 20 years.

### **Bona Vista Is Financially Stable**

Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the district is improving or deteriorating. Overall, the district's net position has increased 10 percent since 2012, reflecting an increase in assets, net of related debt. Assets increased in both 2013 and 2014 due to additions to the water delivery systems, equipment, and an increase in revenue. The net position, or equity, consists of three components: net investment in capital assets, restricted reserves, and unrestricted reserves, which includes cash on hand.

---

**Overall, Bona Vista's net position has increased 10 percent between 2012 and 2014.**

---

Figure 6.1 shows an overview of Bona Vista’s finances. Revenues increased each of the last two years, and expenses increased slightly in 2014. However, revenues have been sufficient to cover the district’s expenses.

**Figure 6.1 District’s Financial Position from 2012 to 2014.** The district’s net position and revenues increased both in 2013 and 2014.

	2012	2013	2014
Assets	\$ 18,282,300	\$ 19,253,800	\$ 20,187,600
Liabilities	597,800	625,600	724,000
Net Position	\$ 17,684,500	\$ 18,628,200	\$ 19,463,600
Revenues	\$ 3,138,300	\$ 3,351,900	\$ 3,469,100
Expenses	2,607,700	2,408,200	2,633,600
Difference	\$ 530,600	\$ 943,700	\$ 835,500

Source: Bona Vista 2012-2014 year-end audited financial statements

The district’s main source of revenue is user fees, but the district also collects hookup fees, impact fees, and property taxes. Revenue increased 11 percent since 2012. This increase occurred in part because the district increased user fees by about 1 percent in both 2013 and 2014. The user fee increase helped cover operations and maintenance fee increases for the treated water from Weber Basin Water Conservancy and Ogden City. Liabilities and expenses slightly increased in 2014 because of an \$830,000 infrastructure replacement project. The district does not have long-term debt.

Bona Vista has \$ 5,864,500 in unrestricted reserves (and \$81,283 in restricted reserves). Bona Vista has considerable unrestricted reserves, but over \$3 million of those reserves are earmarked for two major projects: building a new 3 million-gallon storage tank and drilling a well. The district also has other planned infrastructure replacement projects that will use reserves. Excluding the earmarked projects, Bona Vista has sufficient reserves to cover one year of expenses.

**The district’s main source of revenue is user fees, but the district also collects hookup fees, impact fees, and property taxes.**

**Bona Vista has considerable reserves, but over \$3 million are earmarked for two major projects.**



## **District Has Sufficient Long-Term Plans**

The Bona Vista Water Improvement District updated its capital facilities plan and impact fee facilities plan in 2012. The district updates its plan at least every five years, outlining water supply and storage needs and infrastructure projects to meet the expected growth rate for the next 20 years. The plan projects that the water supply will be inadequate by 2029. The district will need two new wells in the future. The plan also anticipates the need for additional water storage and recommends that the next water storage tank will be needed by about 2018.

As development occurs within the district, those new developments will have the most need for capital projects. However, the capital facilities plan has prioritized projects that reflect deficiencies in the system, as well as projects needed for new developments. The plan prioritized 19 projects that will cost approximately \$8 million.

## **Recommendations**

1. We recommend that the Bona Vista board review insurance bonding levels.
2. We recommend that the Bona Vista district competitively bid professional services as required in its purchasing policy, and establish contracts for all professional services.
3. We recommend that the Bona Vista district update its policies to include current job position descriptions and duties.
4. We recommend that the Bona Vista district consider including in its personnel policies those relevant personnel topics that are recommended in the Office of the Utah State Auditor's guidelines for local districts.

---

**The district updated its capital facilities plan and impact fee facilities plan in 2012.**

---

**This Page Left Blank Intentionally**

## **Agency Responses**

**This Page Left Blank Intentionally**

EXECUTIVE COMMITTEE

**CHAIR**  
CHRIS FINLINSON  
355 West University Parkway  
Orem, UT 84058-7303  
801-226-7101

**FIRST VICE CHAIR**  
NECIA CHRISTENSEN  
4196 South 4000 West  
West Valley City, UT 84120  
801-554-9173

**SECOND VICE CHAIR**  
VONEENE JORGENSEN  
102 West Forest Street  
Brigham City, UT 84302  
435-723-7034

**IMMEDIATE PAST CHAIR**  
DEL K. BARNEY  
55 South 500 East  
Heber City, UT 84032  
435-503-1745

**SECRETARY/TREASURER**  
CLINT JENSEN  
P.O. Box 701110  
West Valley City, UT 84170  
801-955-2208

**GENERAL COUNSEL**  
MARK H. ANDERSON  
215 South State St, Ste 1200  
Salt Lake City, UT 84111-2323  
801-531-8900



**UTAH ASSOCIATION OF SPECIAL DISTRICTS**

**LeGrand W. Bitter, Executive Director**  
1272 West 2700 South, Syracuse, Utah 84075  
Phone 801-725-1312, FAX 855-313-2360  
e-mail: uasd@uasd.org • web site: www.uasd.org

BOARD OF TRUSTEES

- RICHARD P. BAY  
Salt Lake
- MARK T. BECRAFT  
Davis
- COREY CRAM  
Washington
- SAMMIE DICKSON  
Salt Lake
- TAGE FLINT  
Weber/Davis/Morgan
- PAMELA GILL  
Salt Lake
- TEREL H. GRIMLEY  
Weber/Box Elder
- CLINT JENSEN  
Salt Lake
- JEFF RICHINS  
Carbon
- DONALD G. RUSSELL  
Salt Lake City
- CRAIG WHITE  
Salt Lake

EX-OFFICIO MEMBERS

- JON BRONSON  
Salt Lake
- JIM BURR  
Salt Lake
- DAVID B. HARTVIGSEN  
Salt Lake
- RANDALL M. LARSEN  
Salt Lake
- SCOTT J. ROBERTSON  
Salt Lake

December 8, 2015

John M. Schaff, CIA, Auditor General  
Office of the Legislative Auditor General  
W315 Utah State Capitol Complex  
Salt Lake City, UT 84114

Re: A Performance Audit of Culinary Water Improvement Districts

Dear Mr. Schaff:

The Utah Association of Special Districts (UASD) appreciates the invitation and opportunity to respond to the Performance Audit of Culinary Water Improvement Districts, dated December 2015.

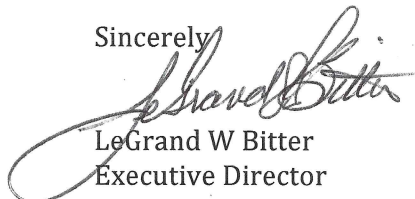
The objective of the UASD is to promote the proper and efficient operation of all Local Districts and Special Service Districts in Utah. Past findings and recommendations generated by the Office of the Legislative Auditor General have been and are being utilized by the UASD to train board members and management of districts throughout Utah.

The findings from this audit will be helpful in providing vision, focus, and attention to areas of concern as we strive to improve district governance. The UASD will utilize and integrate findings from this audit in future training events and in convention topics.

We appreciate the professionalism and courtesy extended by your staff, and thank them for their efforts in identifying areas that need improvement, as well as for providing helpful recommendations.

The UASD appreciates the continuing positive relationship that exists with the Office of the Legislative Auditor. The UASD will continue to work to promote the proper and efficient operation of Local Districts and Special Service Districts in Utah.

Sincerely,

  
LeGrand W Bitter  
Executive Director

**This Page Left Blank Intentionally**

**EAST DUCHESNE CULINARY WATER IMPROVEMENT DISTRICT  
P.O. BOX 319  
DUCHESNE, UTAH 84021**

December 7, 2015

John M Schaff  
Office of the Legislative Auditor General  
W315 Utah State Capitol Complex  
Salt Lake City, UT 84114

Dear Mr. Schaff:

The following letter is in response to a legislative audit titled "East Duchesne Water District needs proactive oversight" authored by Hillary M. Galvin. On page 12 there are 5 recommendations for the District to consider.

1. We recommend that the East Duchesne board implement appropriate separation of duties for accounting and provide better oversight of purchasing and accounting procedures.

The District requires two signatures on any check. The Manager (the only full time employee) and 3 board members have signing authority. As the Manager prepares the checks for consideration and signing at the board meetings, the board will consider that he will no longer have check signing authority.

2. We recommend that the East Duchesne board obtain an appropriate insurance bond for the treasurer.

The district will get a bond for the treasurer.

3. We recommend that the East Duchesne district resolve its conflict of interest.

According to Utah Code 67-16-8:

No public officer or public employee shall participate in his official capacity or receive compensation in respect to any transaction between the state or any of its agencies and any business entity as to which such public officer or public employee is also an officer, director, or employee or owns a substantial interest, unless disclosure has been made as provided under Section 67-16-7.

Utah code 67-16-7 states:

The disclosure must be made to the chief governing body of the political subdivision in the case of public officers and public employees of a political subdivision

The governing body of the district is the board of directors. They are fully aware of the managers ownership of the equipment that the district leases, and realize that it represents a conflict of interest that

must be disclosed. They have encouraged this approach because the equipment is available 24/7, but the district only pays for the equipment when it is needed. The lease rate also includes fuel and maintenance and repairs. Other leasing companies require weekly and or monthly payments even though the equipment may not be used. They also require the leasing entity to supply the fuel and maintenance. The board feels that this is the best use of the district's money because projects are installed for about half the cost and the equipment is available at all times for emergency repairs.

With this being said, the district appreciates the observations of the Legislative Auditor General, which have motivated the district to further evaluate its procedures to insure the safety and protection of the assets of the district. In order to accomplish this goal, conflicts of interest have been and are publicly disclosed. In addition, compensating controls have been established to provide protection of district assets. Those controls include: 1) review of all invoices for work performed occurs in a public board meeting. All board members review each invoice and all board members sign each invoice, thereby authorizing disbursement of funds. This allows board members the opportunity to review all work performed, as well as the dates, hours and locations of such work. 2) Two signatures are required in each check. It is required that all signatures on such checks made payable to the manager be the signatures of two board members. Because of the observations of the auditor, the Manager will no longer be an authorized signer of any checks, thereby providing further separation of duties and an additional compensating control. The district is willing to consider additional suggestions of compensating controls.

4. We recommend that the East Duchesne district:

a. develop the following polices: conflict of interest policy, purchasing policy, and personnel policy, and

b. amend its records access policy to include records retention procedures

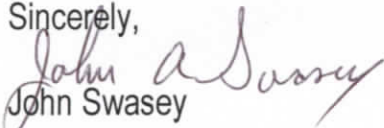
The District Board will work on establishing and implementing these policies

5. We recommend that the East Duchesne district consider developing a long-term plan that addresses growth and infrastructure replacement.

Our Engineering firm- Forsgren and Associates is in the process of helping us to develop a long term plan.

We would like to thank you for your efforts to help us to make our district stronger. We feel that the district is in good condition and financially solvent. Much of the expansion of the district has been accomplished by not incurring debt and also not assessing any property taxes. We are trying not to burden the members of the district by keeping their water rates as low as possible and not imposing taxes upon them. We hope to continue to supply our district members with a good quality supply of water at a reasonable cost.

Sincerely,

  
John Swasey  
Chairman of the Board





## White City Water Improvement District

999 E. Galena Dr.  
Sandy, Utah 84094  
801-571-3991

**General Manager**  
Paul H. Ashton, J.D.

**Board of Trustees**  
Paulina F. Flint, Chair  
Robert Johansen, Vice Chair  
Christy Seiger-Webster, Clerk  
Garry True, Treasurer  
Cody Cutler, Trustee

Mr. John M. Schaff, Auditor General  
Office of the Legislative Auditor General  
W315 Utah State Capitol Complex  
Salt Lake City, UT 84114

November 24, 2015

Re: Legislative Audit – White City Water Improvement District 2015

Dear Mr. Schaff:


The White City Water Improvement District (hereafter “WCWID” or “White City Water”) has been provided a copy of that portion of a legislative audit dealing with management, fiscal controls and overall operations of WCWID. It is our understanding the overall audit deals with local improvement districts, as defined in Utah Code Ann. § 17B-2a-401 *et seq.* that exclusively provide retail culinary water in the State and does not extend to other types of districts, municipalities or other entities that might also provide retail water service.

White City Water, through its elected Board of Trustees and management, has consistently valued input going to the operation and management of the WCWID water system and historically accepts any constructive suggestions of how best to provide essential water service to its customers, whether located in Sandy City or White City Township. In that regard, WCWID’s stated mission “is to provide its owner/user public the best quality and quantity of pristine water possible, at cost-based rates, and no levied property tax.” This audit provides such input and constructive suggestions.

WCWID appreciates the overall professionalism and courtesy exhibited by your auditors, including Mr. Wayne Kidd, Audit Supervisor, in gathering information needed for the audit. Although time and effort was required of White City Water managers and staff to respond to inquiries and meetings, at no time did they express any frustration to the Board for the time and effort spent. To the contrary, they expressed appreciation that the auditors were willing to learn about “improvement districts” and their vital role in providing water to the public.

If you have any additional questions, or require additional information, please advise us.

Sincerely

  
Paulina F. Flint, Chair, Board of Trustees

cc: Paul H. Ashton, General Manager/General Counsel

**This Page Left Blank Intentionally**

# *Bona Vista Water Improvement District*

*2020 West 1300 North, Farr West, Utah 84404*

*Phone (801) 621-0474 Fax (801) 621-0475*

## **Directors**

**Z. Lee Dickemore**  
Farr West

**Bruce Richins**  
Harrisville

**Keith Butler**  
Marriott/Slaterville

**Bruce Higley**  
Plain City

**Ronald Stratford**  
Unincorporated Area

## **Management**

**Jerry Allen**  
General Manager

**Monette Panter**  
Office Manager

**Blake Carlin**  
Supervisor

November 17, 2015

John M. Schaff, Auditor General  
Office of the Legislative Auditor General  
W315 Utah State Capitol Complex  
Salt Lake City, Utah 84414

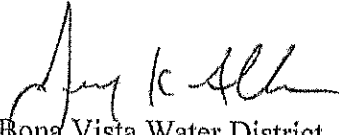
Dear John,

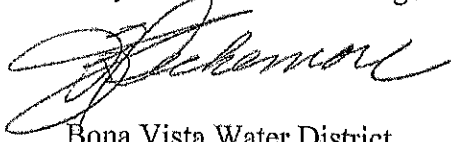
We have received our audit report. We have read it and we feel it to be accurate.

We agree with the recommendations and will implement them into our current policies and procedures. We take the recommendations seriously and will proceed with making the necessary changes.

We appreciated working with you.

Sincerely,

  
Bona Vista Water District  
Jerry Allen/General Manager

  
Bona Vista Water District  
Co-Chairman/Lee Dickemore