

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Financial Statements and Supplementary Data  
December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-4
Statement of Net Position .....	5
Statement of Revenue, Expenses and Changes in Net Position .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8-14
Independent Auditors' Report on Compliance and on Internal Controls Over Compliance in Accordance With the <i>State of Utah Legal Compliance Audit Guide</i> .....	15-16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wolf Creek Water and Sewer Improvement District  
Eden, Utah

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying statement of net position of Wolf Creek Water and Sewer Improvement District as of and for the year ended December 31, 2021, and the related statement of revenue, expenses and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Wolf Creek Water and Sewer Improvement District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wolf Creek Water and Sewer Improvement District as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wolf Creek Water and Sewer Improvement District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wolf Creek Water and Sewer Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wolf Creek Water and Sewer Improvement District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 on our consideration of Wolf Creek Water and Sewer Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wolf Creek Water and Sewer Improvement District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wolf Creek Water and Sewer Improvement District's internal control over financial reporting and compliance.

*Christensen, Palmer & Ambrose P.C.*

Ogden, Utah  
June 24, 2022

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2021

As Board of the Wolf Creek Water and Sewer Improvement District, we offer readers of the Wolf Creek Water and Sewer Improvement District financial statements this narrative overview for the years ended December 31, 2020, and 2021. As the Board, we encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

**Overview of the Financial Statements**

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

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

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

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

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

**Other Information** includes an independent auditor's legal compliance report and the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.

**Condensed Financial Information**

**Statement of Net Position**

Total net position \$5,626,861 at December 2019, \$6,141,911 on December 31, 2020 and \$6,992,030 on December 31, 2021. Capital assets, net of depreciation \$11,348,031 at December 2019 and \$11,103,454 on December 31, 2020 and \$11,825,756. Total liabilities were \$7,941,781 on December 31, 2019, and \$7,400,278 on December 31, 2020 and \$6,798,139 on December 31, 2021.

**Condensed Statement of Net Position**

<u>Assets</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Current Assets	2,136,213	2,353,299	2,880,253
Other Assets	84,395	84,395	84,160
Capital Assets	<u>11,348,031</u>	<u>11,103,454</u>	<u>10,825,756</u>
Total Assets	<u>13,568,642</u>	<u>13,542,189</u>	<u>13,790,169</u>
<u>Liabilities</u>			
Current Liabilities	568,557	632,998	649,851
Long-Term Liabilities	<u>7,373,224</u>	<u>6,767,280</u>	<u>6,148,288</u>
Total Liabilities	<u>7,941,781</u>	<u>7,400,278</u>	<u>6,798,139</u>
<u>Net Position</u>			
Net Investment in Capital Assets	3,432,875	3,730,130	4,058,476
Restricted	0	0	0
Unrestricted	<u>2,193,986</u>	<u>2,411,681</u>	<u>2,933,554</u>
Total Net Position	<u>5,626,861</u>	<u>6,141,911</u>	<u>6,992,030</u>

### Statement of Revenues

Total revenues increased \$266,859 from 2020 to 2021 due to The Pointe Subdivision beginning and paying connection and stand-by fees.

<u>Revenue</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Net Change 2020-2021</u>
Charges for Service	2,273,804	2,048,856	2,316,167	267,311
Miscellaneous	<u>8,251</u>	<u>452</u>	<u>0</u>	<u>(452)</u>
Total	<u>2,282,055</u>	<u>2,049,308</u>	<u>2,316,167</u>	<u>266,859</u>

### Statement of Expenses

Total expenses for 2021 were decrease mainly due to repair costs in the Culinary Water System, and in the Professional Fees.

#### Condensed Statement of Expenses

<u>Expenses</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Administration	368,790	410,796	421,927
Drinking Water System Operations	236,551	355,360	263,579
Sewer System Operations	203,738	171,489	209,702
Irrigation System Operations	139,624	133,168	151,806
Water Purchases	0	0	0
Depreciation	296,810	287,430	272,533
Professional Fees	54,665	48,167	17,935
Bad Debt	0	476	0
Interest	<u>119,260</u>	<u>127,372</u>	<u>128,566</u>
Total Expenses	<u>1,419,438</u>	<u>1,534,258</u>	<u>1,466,048</u>

### Statement of Changes in Net Position

#### Condensed Statement of Changes in Net Position

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues	2,282,055	2,049,308	2,316,167
Expenses	<u>(1,419,438)</u>	<u>(1,534,258)</u>	<u>(1,466,048)</u>
Change in net position	862,617	515,050	850,119
Net Position – Beginning of Year	<u>4,764,244</u>	<u>5,626,861</u>	<u>6,141,911</u>
Net Position – End of Year	<u>5,626,861</u>	<u>6,141,911</u>	<u>6,992,030</u>

### Overall Financial Position

Total Water and Sewer Improvement District net position increased \$850,119 primarily due to lower interest payments made on the 2016 and 2019 Bond, and less legal fees paid.

### Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please call the District at 801-745-3435, 2850 N. Highway 162, Suite #A, Eden, Utah, 84310.

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Statement of Net Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current Assets:		
Cash (note 2)	\$ 2,880,253	2,353,299
Accounts receivable (note 3)	<u>-</u>	<u>-</u>
Total current assets	<u>2,880,253</u>	<u>2,353,299</u>
Other assets:		
Reserve fund investments	<u>84,160</u>	<u>85,436</u>
Property and equipment:		
Capital assets less accumulated depreciation of \$3,516,522 in 2021, and \$3,243,989 in 2020 (notes 1 and 4)	<u>10,825,756</u>	<u>11,103,454</u>
Total assets	<u>\$ 13,790,169</u>	<u>13,542,189</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
<u>Liabilities</u>		
Current liabilities:		
Long-term liabilities - current portion (note 5)	618,992	605,944
Accounts payable	18,719	13,524
Customer deposits	<u>12,140</u>	<u>13,530</u>
Total current liabilities	<u>649,851</u>	<u>632,998</u>
Long-term liabilities less current portion ( note 5)	<u>6,148,288</u>	<u>6,767,280</u>
Total liabilities	<u>6,798,139</u>	<u>7,400,278</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	4,058,476	3,730,130
Restricted	-	-
Unrestricted	<u>2,933,554</u>	<u>2,411,681</u>
Total net position	<u>\$ 6,992,030</u>	<u>6,141,911</u>

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Statement of Revenue, Expenses and Changes in Net Position

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Income from operations:		
Charges for services	\$ 2,316,167	\$ 2,048,856
Miscellaneous	-	452
Total income from operations	<u>2,316,167</u>	<u>2,049,308</u>
Expenses:		
Administration	421,927	410,796
Drinking water system operations	263,579	355,360
Sewer system operations	209,702	171,489
Irrigation system operations	151,806	133,168
Depreciation	272,533	287,430
Professional fees	17,935	48,167
Bad debts	-	476
Total expenses	<u>1,337,482</u>	<u>1,406,886</u>
Income from operations	<u>978,685</u>	<u>642,422</u>
Non-operating income and expense:		
Interest income	7,155	19,907
Interest expense	<u>(135,721)</u>	<u>(147,279)</u>
Net non-operating income and expenses	<u>(128,566)</u>	<u>(127,372)</u>
Change in net position	850,119	515,050
Net position - beginning of year	<u>6,141,911</u>	<u>5,626,861</u>
Net position - end of year	<u>\$ 6,992,030</u>	<u>\$ 6,141,911</u>



WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,314,777	\$ 2,059,395
Payments to suppliers	(756,496)	(837,471)
Payments to employees	<u>(303,258)</u>	<u>(291,644)</u>
Net cash provided by operating activities	<u>1,255,023</u>	<u>930,280</u>
Cash flows from investing activities:		
Interest received	<u>7,155</u>	<u>19,907</u>
Net cash provided (used) by investing activities	<u>7,155</u>	<u>19,907</u>
Cash flows from capital and related financing activities:		
Interest paid	(135,721)	(147,279)
Change in capital assets - net	5,165	(43,281)
Principal paid on long-term debt	(605,944)	(541,503)
Long-term debt issued	-	-
Change in reserve funds	<u>1,276</u>	<u>(1,041)</u>
Net cash provided (used) by capital and related financial activities	<u>(735,224)</u>	<u>(733,104)</u>
Net increase (decrease) in cash	526,954	217,083
Cash - beginning of year	<u>2,353,299</u>	<u>2,136,216</u>
Cash - end of year	<u>\$ 2,880,253</u>	<u>\$ 2,353,299</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 978,685	\$ 642,422
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	272,533	287,430
Increase (decrease) in accounts payable	5,195	(9,659)
Increase (decrease) in customer deposits	<u>(1,390)</u>	<u>10,087</u>
Net cash provided (used) by operating activities	<u>\$ 1,255,023</u>	<u>\$ 930,280</u>

# WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

## Notes to Financial Statements

December 31, 2021 and 2020

### (1) Organization and Summary of Significant Accounting Policies

#### **A. Organization**

The District was originally organized to provide sewer services within its designated area. In January, 2011 the District purchased the assets and operational responsibilities of Wolf Creek Water Company and Wolf Creek Water Conservancy, Inc. The entity is now known as Wolf Creek Water and Sewer Improvement District.

#### **B. Financial Reporting Model**

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes to these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net position.
3. The statement of cash flows is presented on the direct method.

#### **C. Accounting Method**

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

#### **D. Reporting Entity**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Application for this criterion involves considering whether the activity benefits the government, and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

#### **E. Fund Accounting**

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

(1) Organization and Summary of Significant Accounting Policies (continued)

**F. Capital Assets**

The District capitalizes all capital assets with an original cost of more the \$1000 and a useful life of more than one year Depreciation is recorded on capital assets using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Sewer treatment facility	50
Structures and improvements	35
Power generation equipment	10
Vehicles	10
Special equipment	10
Collection sewer	50
Collection structures	50
Flow measuring devices	20
Treatment and disposal equipment	20
Water wells	40
Water lines	40
Storage facilities	50
Pumps, valves, and meters	5-10
Reservoirs	50

**G. Compensated Absences**

The District does not accrue a liability for employees' compensated absences because the balance is considered to be immaterial.

**H. Use of Estimates**

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

**I. Subsequent Events**

Management has evaluated subsequent events through June 24, 2022, the date the financial statements were available to be issued.

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

(2) Deposits and Investments (continued)

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District’s deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District’s deposits at December 31, 2021 and 2020 were \$76,624 and \$91,498, of which \$76,624 and \$91,498 was insured.

*Investments.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District’s policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as “first-tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated “A” or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), and external Pooled investment fund managed by the Utah State Treasurer and subject to the Act Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District’s investments at December 2021 and 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
2021 PTIF Investments	<u>\$ 2,828,003</u>	91 days*	Not rated
2020 PTIF Investments	<u>\$ 2,317,967</u>	40 days*	Not rated

\*Weighted-average maturity

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2021 and 2020

(2) Deposits and Investments - Continued

The District also has investments with Zions Bank that consist of corporate bonds. Investments are carried at cost which is not materially different than market value.

	Cost at December 31, 2021	Cost at December 31, 2020	Maturity
Zions Debt Service	\$ 84,160	85,436	Varies

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing with Zions Bank and in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District’s investments are noted in the previous table.

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy to limit this risk is to adhere to the rules of the Money Management Council and to invest funds with Zions Bank and in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government’s portfolio at the time of purchase.

(3) Accounts Receivable

Accounts receivable consist of user fees from customers which are considered to be substantially all collectable.

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2021 and 2020

(4) Changes in Capital Assets

	January 1, 2021	Additions	Deletions	December 31, 2021
<b>Assets</b>				
Water System	\$ 3,718,389	12,903	-	3,731,292
Irrigation System	3,487,648	21,027	26,596	3,482,079
Sewer treatment facility	5,852,547	-	-	5,852,547
Sewer disposal line	210,711	-	-	210,711
Structures and improvements	450,929	-	-	450,929
Power generation equipment	24,580	-	-	24,580
Vehicles	99,120	-	-	99,120
Special equipment	49,531	-	-	49,531
Office equipment	14,842	-	-	14,842
Collection sewer	161,736	-	-	161,736
Collection structures	18,111	-	-	18,111
Flow measuring devices	13,927	-	-	13,927
Treatment and disposal equipm	43,234	-	-	43,234
SCADA	16,743	-	-	16,743
Other Sewer equipment	181,895	-	27,161	154,734
Sewer land and land rights	3,500	14,662	-	18,162
Total	<u>14,347,443</u>	<u>48,592</u>	<u>53,757</u>	<u>14,342,278</u>
<b>Accumulated depreciation:</b>				
Water System	755,539	62,808	-	818,347
Irrigation System	388,944	41,846	-	430,790
Sewer System	2,091,761	166,656	-	2,258,417
Office equipment	7,745	1,223	-	8,968
Total	<u>3,243,989</u>	<u>272,533</u>	<u>-</u>	<u>3,516,522</u>
Net Capital Assets	<u>\$11,103,454</u>	<u>(223,941)</u>	<u>53,757</u>	<u>10,825,756</u>

(5) Long-Term Liabilities

On February 24, 2016 the District issued \$7,854,000 in water and sewer revenue and refunding bonds. The bonds carry a 2.14% interest rate and mature in 2031. The proceeds were used to pay off the 2010 and 2011 series bonds and \$1,007,000 was placed in a construction fund for upcoming capital projects. The sewer and irrigations systems are pledged as collateral.

WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT

Notes to Financial Statements - Continued

December 31, 2021 and 2020

(5) Long-Term Liabilities (continued)

On September 27, 2019, the District issued \$1,050,000 in water and sewer revenue bonds. The bonds carry a 2.51% interest rate until September 27, 2024 at which time the interest rate will be recomputed. The bonds mature in 2035. The water and sewer systems are pledged as collateral.

Long-term liabilities consist of the following:

	Interest Rate	Maturity Date	2021	2020
Contract for purchase of water	3.50%	2033	\$ 407,280	437,224
Revenue Bond Series 2016	2.14%	2031	5,373,000	5,891,000
Revenue Bond Series 2019	2.51%	2035	987,000	1,045,000
Total			6,767,280	7,373,224
Less current portion			618,992	605,944
Total long-term portion			<u>\$ 6,148,288</u>	<u>6,767,280</u>

Minimum payments on long-term liabilities are as follows:

Year	Amount	Interest	Total
2022	\$ 618,992	147,603	766,595
2023	634,076	133,562	767,638
2024	648,198	119,188	767,386
2025	662,360	84,336	746,696
2026	677,562	59,484	737,046
2027-2031	3,164,366	128,922	3,293,288
2032-2036	361,726	12,660	374,386
	<u>\$ 6,767,280</u>	<u>685,755</u>	<u>7,453,035</u>

	Balance January 1, 2021	Additions	Payments	Balance December 31, 2021	Amounts Due in one Year
Water Contract	\$ 437,224	-	29,944	407,280	30,992
Revenue bond - 2016	5,891,000	-	518,000	5,373,000	528,000
Revenue bond - 2019	1,045,000	-	58,000	987,000	60,000
Total	<u>\$ 7,373,224</u>	<u>-</u>	<u>605,944</u>	<u>6,767,280</u>	<u>618,992</u>

## Notes to Financial Statements - Continued

December 31, 2021 and 2020

### (6) Risk Management

Wolf Creek Water and Sewer Improvement District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At December 31, 2021 there were no outstanding claims or judgements against the District. Settlements did not exceed insurance coverage for each of the past two years.

### (7) Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the District's operations. Future potential impacts may include disruptions or restrictions on our employee's ability to work or customers' ability to pay the monthly usage fees. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown, so there have been no related amounts reflected in the financial statements.





Independent Auditors' Report on Compliance and on  
Internal Controls Over Compliance in Accordance With the  
State of Utah Legal Compliance Audit Guide

To the Board of Directors  
Wolf Creek Water and Sewer Improvement District  
Eden, Utah

**REPORT ON COMPLIANCE**

We have audited Wolf Creek Water and Sewer Improvement District's (the District) compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2021.

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

Budgetary Compliance  
Open and Public Meetings Act  
Fraud Risk Assessment  
Special and Local Service District Board Members

The District did not receive any major assistance programs from the State of Utah during the year ended December 31, 2021.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District and its major programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

***Opinion***

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2021.

## *Opinion*

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2021.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

## *Purpose of Report*

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

*Christensen, Palmer & Ambrose P.C.*

June 24, 2022  
Ogden, UT



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

To the Board of Trustees  
Wolf Creek Water and Sewer Improvement District  
Eden, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wolf Creek Water and Sewer Improvement District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2022.

### Internal Control over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Christensen, Palmer + Ambrose P.C.*

June 24, 2022  
Ogden, UT