# WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT
# BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS
# YEAR ENDED DECEMBER 31, 2025

**WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT**

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CHILD RICHARDS
— CPAs & ADVISORS —

# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Wolf Creek Water & Sewer Improvement District

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the business-type activities of Wolf Creek Water & Sewer Improvement District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Wolf Creek Water & 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 the business-type activities of Wolf Creek Water & Sewer Improvement District, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 & 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 & 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.



ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA

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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 & 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 & 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, schedule of the proportionate share of net pension liability, schedule of contributions and notes to the required supplementary information on pages 3-6 and 32-34 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 August 3, 2026, on our consideration of Wolf Creek Water & 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 & 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 & Sewer Improvement District's internal control over financial reporting and compliance.

Child Richards CPAs & Advisors

Ogden, Utah
August 3, 2026

# MANAGEMENT'S DISCUSSION & ANALYSIS

## INTRODUCTION

The following is a discussion and analysis of Wolf Creek Water and Sewer Improvement District's financial performance and activities for the year ending December 31, 2025.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the District's Basic Financial Statements. The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Government Accounting Standards Board. The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The District's financial statements are comprised of three basic statements. The Statement of Net Position shows the overall net position of the District. Increases and decreases in net position are one indicator of the District's overall financial condition. The Statement of Revenues, Expenses, and Changes in Fund Net Position identify functions of the District that are intended to recover all or most of their costs primarily through user fees and charges (business-type activities). The Statement of Cash Flows reports presents cash flows in four categories or activities: operating, capital and related financing, non-capital financing and investing.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The largest component of the District's net position, 66.79%, reflects the net investment in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net position comprises of 21.86% of total net position and would be subject to external restrictions on how they may be used. The remaining 11.35% of net position is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

**Net Position (continued)**

| | 2025 | 2024 (restated) |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 2,034,983 | $ 1,758,696 |
| Restricted assets | 3,919,813 | 3,151,573 |
| Capital assets - net of depreciation | 21,845,012 | 16,886,226 |
| Deferred outflows of resources | 121,513 | 55,943 |
| Total assets and deferred outflows | 27,932,333 | 21,852,438 |
| **Liabilities** | | |
| Current liabilities | 1,406,383 | 1,706,860 |
| Non-current liabilities | 8,592,999 | 4,203,654 |
| Deferred inflows of resources | 4,727 | 1,168,519 |
| Total liabilities and deferred inflows | 10,004,109 | 7,079,033 |
| **Net Position** | | |
| Net investment in capital assets | 11,974,033 | 11,050,413 |
| Restricted | 3,919,813 | 3,193,917 |
| Unrestricted | 2,034,378 | 529,075 |
| Total net position | $ 17,928,224 | $ 14,773,405 |

Total assets increased by $6,079,895, due to increases in cash and capital assets. Restricted cash increased by $768,240. Capital assets experienced a net increase of $4,958,786.

Total current liabilities decreased in 2025 by $300,477 due to a decrease in accounts payable and retainage payable related to construction projects.

Total noncurrent liabilities increased by $4,389,345 due to the issuance of the 2025 Water Revenue Bond.

Overall the net position of the District increased by $3,154,819. The reasons for the substantial change to net position are discussed further below.

**Changes in Net Position**

| | 2025 | 2024 (restated) |
|---|---|---|
| **Revenues** | | |
| Operating revenue | $ 2,899,512 | $ 2,174,187 |
| Operating expenses | (2,199,971) | (1,800,416) |
| Operating income (loss) | 699,541 | 373,772 |
| Non-operating revenues | 2,579,366 | 3,702,533 |
| Non-operating expenses | (124,088) | (112,670) |
| Net income before capital contributions | 3,154,819 | 3,963,635 |
| Capital contributions | - | - |
| Change in net position | 3,154,819 | 3,907,692 |
| Net position - beginning | 14,773,405 | 10,809,770 |
| Net position - ending | $ 17,928,224 | $ 14,773,405 |

Ending net position increased by $3,154,819. The District experienced an operating income of $699,541. Non-operating revenues decreased by $1,123,167. This is mainly due to a decrease in grant income by $1,063,612.

**Capital Assets**

Wolf Creek Water and Sewer Improvement District added $5,280,399 in new capital assets during the fiscal year. The District incurred a total of $303,760 in depreciation for the year. Additions included construction in progress for various projects and the completion of the East Well and Village Bypass projects.

**Long-Term Debt**

The District owes $3,188,000 on 2016 Revenue Bonds that were issued in 2016 and used to pay off the 2010 and 2011 series bonds and fund future capital assets. These projects were completed in 2019. The bond yields an interest rate of 2.14% and is payable in annual installments through 2031.

The District owes $739,000 on 2019 Revenue Bonds that were issued in 2019 and used to fund future capital assets. The bonds initially yielded an interest rate of 2.51% until the interest rate was recomputed on September 27, 2024. The bond currently yields an interest rate of 4.58% and is payable in annual installments through 2035.

The District owes $5,000,000 on 2025 Revenue Bonds that were newly issued in 2025 and used to fund future capital assets. The bonds will yield a varying interest rate that has not been finalized from 2026 to 2028. The bonds will then yield an interest rate of 2.50% and is payable in annual installments through 2048.

The District owes $276,654 on the water contract with the Weber Basis Water Conservancy District that was issued in 2018 and used to purchase water rights. The contract yields an interest rate of 3.50% and is payable in annual installments through 2033.

**Additional Information**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Wolf Creek Water and Sewer Improvement District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to Wolf Creek Water and Sewer Improvement District, 2580 N Hwy 162 Suite A, Eden, UT 84310.

# BASIC FINANCIAL STATEMENTS

**WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2025**

| | 2025 |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 2,034,983 |
| Accounts receivable | 3,444 |
| Prepaid expenses | 7,568 |
| Total current assets | 2,045,995 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | 3,919,813 |
| Fixed assets: | |
| Construction in progress | 9,599,381 |
| Water rights | 1,558,358 |
| Land | 1,614,367 |
| Depreciable assets, net of accumulated depreciation | 9,072,906 |
| Total noncurrent assets | 25,764,825 |
| Total assets | 27,810,820 |
| Deferred outflows of resources - related to pensions | 121,513 |
| Total assets and deferred outflows of resources | 27,932,333 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 709,598 |
| Retainage payable | 2,271 |
| Customer deposits | 16,952 |
| Current-portion of bonds and contracts payable | 677,562 |
| Total current liabilities | 1,406,383 |
| Noncurrent liabilities: | |
| Bonds and contracts payable, net of current portion | 8,526,092 |
| Net pension liability | 66,907 |
| Total noncurrent liabilities | 8,592,999 |
| Total liabilities | 9,999,382 |
| Deferred inflows of resources - related to pensions | 4,727 |
| Total liabilities and deferred inflows of resources | 10,004,109 |
| **NET POSITION** | |
| Net investment in capital assets | 11,974,033 |
| Restricted-impact fees | 89,220 |
| Restricted-bond reserves | 3,830,593 |
| Unrestricted | 2,034,378 |
| Total net position | $ 17,928,224 |

The accompanying notes are an integral part of these statements.

**WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**
**FOR THE YEAR ENDED DECEMBER 31, 2025**

| | 2025 |
|---|---|
| **OPERATING REVENUE** | |
| Charges for services | $ 2,728,800 |
| Miscellaneous revenue | 12,562 |
| Disposal line income | 80,000 |
| Connection fees | 78,150 |
| Total operating revenue | 2,899,512 |
| **OPERATING EXPENSES** | |
| Payroll expenses | 580,522 |
| Supplies | 22,692 |
| Contractual services | 107,256 |
| Utilities | 114,417 |
| Repairs and maintenance | 333,973 |
| Telephone | 11,765 |
| Insurance | 39,746 |
| Depreciation | 303,760 |
| Engineering fees | 7,832 |
| Professional fees | 406,006 |
| Board fees | 23,737 |
| Office expenses | 36,464 |
| Rent expenses | 23,640 |
| Miscellaneous | 15,628 |
| Water contract | 166,469 |
| Pension (benefit) expense | 6,064 |
| Total operating expenses | 2,199,971 |
| Operating income (loss) | 699,541 |
| **NONOPERATING REVENUE (EXPENSES)** | |
| Impact fees | 421,529 |
| Interest income | 189,820 |
| Interest expense | (106,234) |
| Grant income | 1,968,017 |
| Gain or (loss) on disposal of assets | (17,854) |
| Total nonoperating revenue (expenses) | 2,455,278 |
| Net income (loss) before contributions | 3,154,819 |
| Capital contributions | - |
| Change in net position | 3,154,819 |
| Net position - beginning of year (restated) | 14,773,405 |
| Net position - ending | $ 17,928,224 |

The accompanying notes are an integral part of these statements.

**WOLF CREEK WATER & SEWER IMPROVEMENT DISTRICT**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2025**

| | | 2025 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Receipts from customers | $ | 2,894,335 |
| Payments to suppliers | | (1,330,003) |
| Payments to employees | | (579,185) |
| Net cash provided (used) by operating activities | | 985,147 |
| **Cash Flows From Capital and Related Financing Activities:** | | |
| Proceeds from impact fees | | 421,529 |
| Proceeds from issuance of debt | | 5,000,000 |
| Proceeds from capital grants | | 799,498 |
| Principal paid on capital debt | | (662,360) |
| Interest paid on capital debt | | (106,234) |
| Sale of capital assets | | - |
| Purchases of capital assets | | (5,582,873) |
| Net cash provided (used) by capital and related financing activities | | (130,440) |
| **Cash Flows From Investing Activities:** | | |
| Interest and dividends received | | 189,820 |
| Net cash provided (used) by investing activities | | 189,820 |
| Net increase (decrease) in cash and cash equivalents | | 1,044,527 |
| Cash and cash equivalents - beginning | | 4,910,269 |
| Cash and cash equivalents - ending | $ | 5,954,796 |
| Statement of Net Position: | | |
| Cash and cash equivalents | $ | 2,034,983 |
| Restricted cash and cash equivalents | | 3,919,813 |
| | $ | 5,954,796 |

The accompanying notes are an integral part of these statements.

**WOLF CREEK WATER AND SEWER IMPROVEMENT DISTRICT**
**STATEMENT OF CASH FLOWS (CONTINUED)**
**FOR THE YEAR ENDED DECEMBER 31, 2025**

| | | 2025 |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:** | | |
| Operating income (loss) | $ | 699,541 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | | 303,760 |
| (Increase) decrease in accounts receivable | | (3,444) |
| (Increase) decrease in prepaid expenses | | (7,568) |
| (Increase) decrease in deferred outflows of resources | | (65,570) |
| (Increase) decrease in net pension asset | | - |
| Increase (decrease) in customer deposits | | (1,733) |
| Increase (decrease) in accounts payable | | (136,904) |
| Less (increase) decrease in accounts payable - capital related | | 125,431 |
| Increase (decrease) in deferred inflows of resources | | 4,727 |
| Increase (decrease) in net pension liability | | 66,907 |
| Net cash provided (used) by operating activities | $ | 985,147 |

The accompanying notes are an integral part of these statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. Reporting Entity

The Wolf Creek Water and Sewer Improvement District is a special district organized in January 2011 when the District purchased the assets and operational responsibilities of Wolf Creek Water Company and Wolf Creek Water Conservancy, Inc. The District operates under a Board of Trustees form of government.

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

The District has no component units.

### B. Fund Financial Statements

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

The District reports the following major proprietary fund:

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus and Basis of Accounting

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

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

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

### D. Assets, Liabilities, and Fund Balances/Net Position

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

*Cash & Cash Equivalents*

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

***Inventories***

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

***Restricted Assets***

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

***Capital Assets***

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

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

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

| | |
|---|---|
| Buildings | 30-50 years |
| Equipment | 5-10 years |
| Improvements | 10-50 years |
| Infrastructure | 20-40 years |

***Long-term Obligations***

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

***Net Position/Fund Balances***

The difference between assets and liabilities is *net position* on the fund financial statements. The District's net position is classified as follows:

*Net investment in capital assets* - This component of net position consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

*Restricted for impact fees* - This component of net position consists of that portion of the net position collected through water impact fees and restricted for new capital improvements.

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

***Net Position/Fund Balances, Continued***

The calculation on the net investment in capital assets balance are as follows:

| | 2025 |
|---|---|
| Capital Assets, Net of Depreciation | |
| Land | $ 1,614,367 |
| Construction in progress | 9,599,381 |
| Water Rights | 1,558,358 |
| Net depreciable assets | 9,072,906 |
| | 21,845,012 |
| Less Related Outstanding Debt | |
| Current portion long term debt | (677,562) |
| Noncurrent portion long term debt | (8,526,092) |
| | (9,203,654) |
| Less Capital Related Liabilities | |
| Construction contracts payable | (665,054) |
| Retainage payable | (2,271) |
| | (667,325) |
| Net Investment in Capital Assets | $ 11,974,033 |

### E. Contributions

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

### F. Compensated Absences

The District policy does not provide for vested or accumulated vacation and sick leave. All vacation and sick leave expires at the end of each year and vacation and sick leave are not paid out when an employee retires or leaves. Therefore there is no balance at December 31, 2025.

### G. Bond Issue Costs

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred contributions and differences between projected and actual earnings on its pension plan assets.

### I. Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items reported under this category. The District participates in the Utah Retirement Systems and has deferred inflows of resources associated with differences between expected and actual experience and changes in assumptions. The

### J. Use of Estimates

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

## NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits & Investments

The District maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents' which also includes cash accounts that are separately held by some of the District's funds. Deposits are not collateralized nor are they required to be by State statute.

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

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

## NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

### *Deposits*

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2025, $67,442 of the District's bank balance of $317,442 was uninsured and uncollateralized.

### *Investments*

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

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

Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code,* Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

## NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

***Investments (Continued)***

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

*Fair Value of Investments*

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2025, the District had the following recurring fair value measurements:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| **Investments by fair value level** | | | | |
| Debt securities: | | | | |
| Utah Public Treasurer's Investment Fund | $ 4,348,632 | $ - | $ 4,348,632 | $ - |
| Total debt securities | $ 4,348,632 | $ - | $ 4,348,632 | $ - |

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the December 31, 2025 fair value factor, as calculated by the Utah State Treasurer, to the district's average daily balance in the Fund.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of December 31, 2025, the District's investments had the following maturities:

| | | Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1-5 | 6-10 | More than 10 |
| PTIF Investments | $ 4,348,632 | $ 4,348,632 | - | - | - |
| | $ 4,348,632 | $ 4,348,632 | - | - | - |

*Credit Risk*

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

At December 31, 2025, the District's investments had the following quality ratings:

| | | Quality Ratings | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value | AAA | AA | A | Unrated |
| PTIF Investments | $ 4,348,632 | - | - | - | $ 4,348,632 |
| | $ 4,348,632 | - | - | - | $ 4,348,632 |

*Concentration of Credit Risk*

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Cash on hand and on deposit:

| | |
|---|---|
| Cash on deposit | $ 256,164 |
| PTIF investment | 4,348,632 |
| Bond holding | 1,350,000 |
| Total cash and investments | $ 5,954,796 |

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

| | |
|---|---|
| Cash | $ 2,034,983 |
| Restricted cash | 3,919,813 |
| Total cash and investments | $ 5,954,796 |

(Intentionally left blank)

## NOTE 3- CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2025, was as follows:

| BUSINESS-TYPE ACTIVITIES | Balance December 31, 2024 | Additions | Transfers | (Deletions) | Balance December 31, 2025 |
|---|---|---|---|---|---|
| Nondepreciated Assets | | | | | |
| Water rights | $ 1,558,358 | $ - | $ - | $ - | $ 1,558,358 |
| Construction in progress | 6,677,694 | 5,278,899 | (2,357,212) | - | 9,599,381 |
| Land | 1,614,367 | - | - | - | 1,614,367 |
| Total nondepreciated assets | 9,850,419 | 5,278,899 | (2,357,212) | - | 12,772,106 |
| Depreciated Assets | | | | | |
| Water system | 2,865,421 | - | 2,131,670 | (24,396) | 4,972,695 |
| Irrigation system | 1,423,216 | - | - | (23,051) | 1,400,165 |
| Sewer system | 7,099,993 | 1,500 | 225,542 | (38,691) | 7,288,344 |
| Vehicles | 144,120 | - | - | - | 144,120 |
| Office equipment | 16,830 | - | - | - | 16,830 |
| Total depreciated assets | 11,549,580 | 1,500 | 2,357,212 | (86,138) | 13,822,154 |
| Less accumulated depreciation | | | | | |
| Water system | (1,131,398) | (79,869) | - | 24,396 | (1,242,361) |
| Irrigation system | (584,285) | (40,788) | - | 11,982 | (613,091) |
| Sewer system | (2,621,461) | (168,362) | - | 31,907 | (2,757,916) |
| Vehicles | (107,204) | (13,281) | - | - | (120,485) |
| Office equipment | (13,935) | (1,460) | - | - | (15,395) |
| Total accumulated depreciation | (4,513,773) | (303,760) | - | 68,285 | (4,749,248) |
| Net assets depreciated | 7,035,807 | (302,260) | 2,357,212 | (17,853) | 9,072,906 |
| Business type activities - net | $ 16,886,226 | $ 4,976,639 | $ - | $ (17,853) | $ 21,845,012 |

**Depreciation Expense**

| | |
|---|---|
| December 31, 2025 | $ 303,760 |

## NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2025 was as follows:

| Description | Outstanding 12/31/2024 | Additions | Subtractions | Outstanding 12/31/2025 | Current Portion |
|---|---|---|---|---|---|
| 2016 Revenue Bonds | $ 3,752,000 | $ - | $ (564,000) | $ 3,188,000 | $ 576,000 |
| 2019 Revenue Bonds | 803,000 | - | (64,000) | 739,000 | 66,000 |
| 2025 Revenue Bonds | - | 5,000,000 | - | 5,000,000 | - |
| Water Contract | 311,014 | - | (34,360) | 276,654 | 35,562 |
| Net Pension Liability | - | 66,907 | - | 66,907 | - |
| | $ 4,866,014 | $ 5,066,907 | $ (662,360) | $ 9,270,561 | $ 677,562 |

Series 2016 Water, Sewer & Irrigation Revenue Bonds

On February 24, 2016, Wolf Creek Water and Sewer Improvement District issued the Series 2016 Water, Sewer & Irrigation Revenue and Refunding Bonds. The purpose of the issuance was to was to pay off the 2010 and 2011 series bonds and $1,007,000 was placed in a construction fund for upcoming capital projects. Principal payments on the bonds are due on the 15th of January every year through 2031. The interest payments are due on the 15th of January and the 15th of July every year through 2031. The bonds carry an interest rate of 2.14%. The sewer and irrigation systems are pledged as collateral.

The anticipated annual requirement to amortize long-term debt and related interest as of December 31, 2025, are as follows:

| Year Ended Dec. 31 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 576,000 | $ 62,060 | $ 638,060 |
| 2027 | 588,000 | 49,605 | 637,605 |
| 2028 | 601,000 | 36,883 | 637,883 |
| 2029 | 614,000 | 23,882 | 637,882 |
| 2030 | 630,000 | 10,572 | 640,572 |
| 2031-2035 | 179,000 | 1,915 | 180,915 |
| | $ 3,188,000 | $ 184,917 | $ 3,372,917 |

Series 2019 Water & Sewer Revenue Bonds

On September 27, 2019, Wolf Creek Water and Sewer Improvement District issued the Series 2019 Water & Sewer Revenue Bonds. The purpose of the issuance was to obtain funding for major construction costs for future capital assets. The bonds were issued at $1,050,000. Principal payments on the bonds are due January 15th of each year through 2035 and interest payments on the bonds are due on January 15th and July 15th of each year through 2035. The bonds carried an interest rate of 2.51% until September 27, 2024 at which time the interest rate was recomputed to be 4.58%. The water and sewer systems are pledged as collateral.

## NOTE 4 - LONG-TERM DEBT (CONTINUED)

Series 2019 Water & Sewer Revenue Bonds (continued)

The anticipated annual requirement to amortize long-term debt and related interest as of December 31, 2025, are as follows:

| Year Ended Dec. 31 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 66,000 | $ 32,335 | $ 98,335 |
| 2027 | 67,000 | 29,289 | 96,289 |
| 2028 | 69,000 | 26,175 | 95,175 |
| 2029 | 71,000 | 22,969 | 93,969 |
| 2030 | 73,000 | 16,566 | 89,566 |
| 2031-2035 | 393,000 | 30,045 | 423,045 |
| | $ 739,000 | $ 157,379 | $ 896,379 |

Series 2025 Water & Sewer Revenue Bonds

On June 25, 2025, Wolf Creek Water and Sewer Improvement District issued the Series 2025 Water & Sewer Revenue Bonds. The purpose of the issuance was to obtain funding for major construction costs for the Reuse Pond. The bonds were issued at $5,000,000. Principal payments on the bonds are due November 1st of each year beginning in 2029 through 2048 and interest payments on the bonds are due on November 1st of each year beginning in 2026 through 2048. From 2029 to 2048 the bonds carry an interest rate of 2.50%.

As of the financial statement release date, interest payments in 2026, 2027, and 2028 are variable and have not been determined yet by the bond holder. The interest due for these years are based on the principal drawn by the District.

The anticipated annual requirement to amortize long-term debt and bond interest that starts in fiscal year 2029 are as follows:

| Year Ended Dec. 31 | Principal | Interest | Total |
|---|---|---|---|
| 2029 | $ 139,000 | $ 125,000 | $ 264,000 |
| 2030 | 142,000 | 121,525 | 263,525 |
| 2031 | 146,000 | 117,975 | 263,975 |
| 2032 | 149,000 | 114,325 | 263,325 |
| 2033 | 153,000 | 110,600 | 263,600 |
| 2034-2038 | 1,191,000 | 552,525 | 1,671,200 |
| 2039-2043 | 1,445,000 | 417,700 | 1,759,500 |
| 2044-2048 | 1,635,000 | 241,350 | 1,759,625 |
| | $ 5,000,000 | $ 1,508,750 | $ 6,508,750 |

## NOTE 4 - LONG-TERM DEBT (CONTINUED)

Weber Basin Water Conservancy District Water Rights Contract

On August 30, 2018, Wolf Creek Water and Sewer Improvement District entered into a contract with the Weber Basin Water Conservancy District. The purpose of the contract was to obtain funding for the purchase of water rights. The contract was issued at $511,118. Principal and interest payments on the contract are due on the 15th of November every year through 2033. The bonds carry an interest rate of 3.50%.

The anticipated annual requirement to amortize long-term debt and related interest as of December 31, 2025, are as follows:

| Year Ended Dec. 31 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 35,562 | $ 9,679 | $ 45,241 |
| 2027 | 36,806 | 8,435 | 45,241 |
| 2028 | 38,094 | 7,147 | 45,241 |
| 2029 | 39,426 | 5,815 | 45,241 |
| 2030 | 40,806 | 4,435 | 45,241 |
| 2031-2035 | 85,960 | 4,538 | 90,498 |
| | $ 276,654 | $ 40,049 | $ 316,703 |

## NOTE 5 - 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 disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2025, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

## NOTE 6 – PENSION PLAN

General Information about the Pension Plan

**Plan Description:** Eligible plan participants are provided with pensions though the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

## NOTE 6 – PENSION PLAN (CONTINUED)

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

**Summary of Benefits by System**

| System | Final Average Salary | Years of service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|---|---|---|---|---|
| Noncontributory System | Highest 3 years | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years | Up to 4% |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 1.5% per year all years | Up to 2.5% |

* with actuarial reductions
** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**Contributions Rate Summary:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2025 are as follows:

**Utah Retirement Systems**

| | Employee | Employer | Employer rate for 401(k) Plan |
|---|---|---|---|
| Contributory System | | | |
| 111 Local government Div - Tier 2 | 0.81% | 14.19% | N/A |
| Noncontributory System | | | |
| 15 Local Government Div - Tier 1 | N/A | 15.97% | N/A |
| Tier 2 DC Only | | | |
| 211 Local Government | N/A | 4.19% | 10.00% |

## NOTE 6 – PENSION PLAN (CONTINUED)

For fiscal year ended December 31, 2025, the employer and employee contributions to the Systems were as follows:

| System | Employer Contributions | Employee Contributions |
|---|---|---|
| Noncontributory System | $ 56,525 | $ 2,913 |
| Tier 2 Public Employees System | 1,687 | 83 |
| Total Contributions | $ 58,212 | $ 2,996 |

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

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

At December 31, 2025, we reported a net pension asset of $0 and a net pension liability of $66,907.

| | Measurement Date: December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate Share 12/31/23 | Change (Decrease) |
| Noncontributory System | $ - | $ 30,843 | 0.0097263% | 0.0000000% | 0.0097263% |
| Tier 2 Public Employees System | - | 36,064 | 0.0120922% | 0.0000000% | 0.0120922% |
| Total Net Pension Asset/Liability | $ - | $ 66,907 | | | |

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2025, we recognized pension expense of $64,147.

## NOTE 6 – PENSION PLAN (CONTINUED)

At December 31, 2025 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 33,969 | $ 248 |
| Changes in assumptions | 14,596 | 4 |
| Net difference between projected and actual earnings on pension plan investments | 11,596 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 3,140 | 4,475 |
| Contributions subsequent to the measurement date | 58,212 | - |
| Total | $ 121,513 | $ 4,727 |

$58,212 reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2025 | $ 18,356 |
| 2026 | 21,729 |
| 2027 | (1,319) |
| 2028 | 2,442 |
| 2029 | 7,818 |
| Thereafter | $ 9,547 |

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2025 we recognized pension expense of $25,112.

At December 31, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 18,378 | $ - |
| Changes in assumptions | 2,551 | - |
| Net difference between projected and actual earnings on pension plan investments | 9,291 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 4,475 |
| Contributions subsequent to the measurement date | - | - |
| Total | $ 30,220 | $ 4,475 |

$0 reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

## NOTE 6 – PENSION PLAN (CONTINUED)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2025 | $ 14,552 |
| 2026 | 15,651 |
| 2027 | (3,770) |
| 2028 | (688) |
| 2029 | - |
| Thereafter | $ - |

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

For the year ended December 31, 2025 we recognized pension expense of $39,035.

At December 31, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 15,591 | $ 248 |
| Changes in assumptions | 12,045 | 4 |
| Net difference between projected and actual earnings on pension plan investments | 2,305 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 3,140 | - |
| Contributions subsequent to the measurement date | 58,212 | - |
| Total | $ 91,293 | $ 252 |

$58,212 reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2025 | $ 3,804 |
| 2026 | 6,077 |
| 2027 | 2,451 |
| 2028 | 3,131 |
| 2029 | 7,818 |
| Thereafter | $ 9,547 |

## NOTE 6 – PENSION PLAN (CONTINUED)

**Actuarial assumptions:**

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary increases | 3.5 – 9.5 percent, average, including inflation |
| Investment rate of return | 6.85 percent, net of pension plan investment expense, including inflation |

Mortality rates were adopted from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2024, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| | Expected Return Arithmetic Basis | | |
|---|---|---|---|
| Asset Class | Target Asset Allocation | Real Return Arithmetic Basis | Long-term Expected Portfolio Real Rate of Return |
| Equity Securities | 35.00% | 7.01% | 2.45% |
| Debt Securities | 20.00% | 2.54% | 0.51% |
| Real Assets | 18.00% | 5.45% | 0.98% |
| Private Equity | 12.00% | 10.05% | 1.21% |
| Absolute Return | 15.00% | 4.36% | 0.65% |
| Cash and Cash Equivalents | 0.00% | 0.49% | 0.00% |
| Totals | 100.00% | | 5.80% |
| Inflation | | | 2.50% |
| Expected arithmetic nominal return | | | 8.30% |

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

## NOTE 6 – PENSION PLAN (CONTINUED)

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

**Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate:** The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

| System | 1% Decrease (5.85%) | Discount Rate (6.85%) | 1% Increase (7.85%) |
|---|---|---|---|
| Noncontributory System | $ 130,442 | $ 30,843 | $ (52,688) |
| Tier 2 Public Employees System | 107,713 | 36,064 | (19,673) |
| Total | $ 238,155 | $ 66,907 | $ (72,360) |

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

**Defined Contribution Savings Plans**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Wolf Creek Water & Sewer Improvement District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

* 401(k) Plan

## NOTE 6 – PENSION PLAN (CONTINUED)

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

| 401(k) Plan | 2025 | 2024 | 2023 |
|---|---|---|---|
| Employer Contributions | $ 3,596 | $ 297 | $ - |
| Employee Contributions | $ - | $ - | $ - |

## NOTE 8 - INTEREST EXPENSE

The District incurred $106,234 in interest expense of which $106,234 was charged to expense.

## NOTE 9 – SUBSEQUENT EVENTS

Management has reviewed for subsequent events to disclose in the footnotes to the financial statements and found a commitment for disclosure as a subsequent event.

This review was performed on August 3, 2026, which is the financial statement issuance date.

## NOTE 10 – RESTATEMENT OF PRIOR YEAR NET POSITION

During fiscal year 2024, the District joined the Utah Retirement Systems. Actuarial assumptions and calculations by Utah Retirement Systems begin as soon as the District begins participating in the retirement plan. During fiscal year 2025, it was found that the District should have recorded a deferred outflow on their books at the end of fiscal year 2024. Because of this, beginning net position was understated by $55,943. An adjustment to beginning net position has been made to correct the understatement.

Adjustments to beginning net position are as follows:

| | 12/31/2024 As previously reported | Error correction | 12/31/2024 As restated |
|---|---|---|---|
| Government wide | | | |
| Business-type activities | $ 14,717,462 | $ 55,943 | $ 14,773,405 |
| Total primary government | $ 14,717,462 | $ 55,943 | $ 14,773,405 |

# REQUIRED SUPPLEMENTARY INFORMATION

**WOLF CREEK WATER & SEWER IMPROVEMENT DISTRICT**
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**UTAH RETIREMENT SYSTEMS**
**DECEMBER 31, 2025**
**with a measurement date of December 31, 2024**
Last 1 fiscal years*

| | Year | Noncontributory System | Tier 2 Public Employees System |
|---|---|---|---|
| Proportion of the net pension liability (asset) | 2025 | 0.0097263% | 0.0120922% |
| Proportion share of the net pension liability (asset) | 2025 | $ 30,843 | $ 36,064 |
| Covered employee payroll | 2025 | $ - | $ 358,106 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 2025 | 0.00% | 10.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 2025 | 96.02% | 87.44% |

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The schedule above discloses a 1-year history. All data available for Wolf Creek Water & Sewer Improvement District has been included above.

See accompanying notes to required supplementary information

**WOLF CREEK WATER & SEWER IMPROVEMENT DISTRICT**
**SCHEDULE OF CONTRIBUTIONS**
**UTAH RETIREMENT SYSTEMS**
**DECEMBER 31, 2025**

| | As of Fiscal year ended December 31, | Actuarial Determined Contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered employee payroll | Contributions as a precentage of covered employe payroll |
|---|---|---|---|---|---|---|
| **Tier 2 Public Employees System*** | 2024 | $ 55,943 | $ 55,943 | $ - | $ 359,386 | 15.57% |
| | 2025 | 56,525 | 56,525 | - | 385,119 | 14.68% |
| **Tier 2 DC Public Employees System*** | 2024 | $ - | $ - | $ - | $ - | 0.00% |
| | 2025 | 1,687 | 1,687 | - | 35,964 | 4.69% |

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rated due to rounding and other administrative practices. The schedule above discloses a 2-year history. All data available for Wolf Creek Water & Sewer Improvement District has been included above.

Changes in Assumptions:

There were no changes in the acturarial assumptions or methods since the prior actuarial valuation.

# AUDITOR'S REPORTS

CHILD RICHARDS
— CPAs & ADVISORS —

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Wolf Creek Water & Sewer Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Wolf Creek Water & Sewer Improvement District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Wolf Creek Water & Sewer Improvement District's basic financial statements and have issued our report thereon dated August 3, 2026.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wolf Creek Water & Sewer Improvement District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wolf Creek Water & Sewer Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wolf Creek Water & Sewer Improvement District's internal control.

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

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

### Report on Compliance and Other Matters

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

**Purpose of This Report**

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

Child Richards CPAs & Advisors

Ogden, Utah
August 3, 2026

# STATE COMPLIANCE

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

To the Board of Trustees of
Wolf Creek Water & Sewer Improvement District

**Report On Compliance**

We have audited Wolf Creek Water & Sewer Improvement District's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could for the year ended December 31, 2025.

State compliance requirements were tested for the year ended December 31, 2025 in the following areas:

| | |
|---|---|
| Budgetary Compliance | Fraud Risk Assessment |
| Impact Fees | Utah Retirement Systems |
| Special and Local Service District Board Members | Cash Management |

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on Wolf Creek Water & Sewer Improvement District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Wolf Creek Water & Sewer Improvement District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Wolf Creek Water & Sewer Improvement District's compliance with those requirements.



ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA

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***Opinion on Compliance***

In our opinion, Wolf Creek Water & Sewer Improvement District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2025.

***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the schedule of findings as item 2025-01. Our opinion on compliance is not modified with respect to the matter.

Wolf Creek Water & Sewer Improvement District's response to the noncompliance finding identified in our audit is described in the schedule of findings. Wolf Creek Water & Sewer Improvement District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report On Internal Control Over Compliance**

Management of Wolf Creek Water & Sewer Improvement District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wolf Creek Water & Sewer Improvement District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wolf Creek Water & Sewer Improvement District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Child, Richards CPAs & Advisors

Ogden, Utah
August 3, 2026

**2025-01:** State Compliance – Impact Fees

*Criteria*: The Utah State Code requires that government entities prepare the impact fee schedule in a certain manner as well as upload the impact fee schedule within six months of its year-end to the state reporting website.

*Condition*: As of June 30, 2026, the District had not uploaded a correct version of the impact fee report to the state website.

*Cause*: The impact fee schedule uploaded to the state reporting website does not have any balances of impact fees unspent by the District in prior years. The impact fee schedule also is missing an impact fee collected in December 2025.

*Effect*: There is no effect on the financial statements. The District is noncompliant with the Utah State Code.

*Recommendation:* We recommend the District complete and upload a corrected impact fee report to include the correct impact fee amounts on hand.

*Management's Response*: Management will submit a corrected impact fee report including the missing impact fee collected and balances of unspent impact fees from prior years.