



Metropolitan Water District of Salt Lake & Sandy
Financial Statements and Supplemental Schedules
As of and for the Years Ended
June 30, 2025 and 2024

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Board of Trustees
Metropolitan Water District of Salt Lake & Sandy

Opinion

We have audited the accompanying financial statements of Metropolitan Water District of Salt Lake & Sandy (Metro) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Metro as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Metropolitan Water District of Salt Lake & Sandy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1 to the basic financial statements, in 2025, Metro adopted Government Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 Metro'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 opinion. 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 GAAS 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 GAAS 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 Metropolitan Water District of Salt Lake & Sandy'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 Metropolitan Water District of Salt Lake & Sandy'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.

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the required supplementary 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 October 6, 2025, on our consideration of Metro'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 Metro'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 Metro's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
October 6, 2025

**Metropolitan Water District of Salt Lake & Sandy
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024**

The management of Metropolitan Water District of Salt Lake & Sandy ("Metro") presents to the reader of Metro's financial statements this discussion and analysis of Metro's financial performance for the fiscal years ended June 30, 2025 and 2024.

Overview of the Financial Statements

Metro'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 Governmental Accounting Standards Board ("GASB"). Metro 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 Metro's significant accounting policies.

Metropolitan Water District of Salt Lake & Sandy's Net Position

June 30,	2025	2024	2023
Assets			
Current and other assets	\$ 167,675,852	\$ 160,002,010	\$ 98,324,619
Capital assets	421,197,751	414,432,464	414,584,147
Total assets	<u>588,873,603</u>	<u>574,434,474</u>	<u>512,908,766</u>
Deferred outflows of resources	13,527,771	15,566,238	17,407,815
Total assets and deferred outflows of resources	<u>\$ 602,401,374</u>	<u>\$ 590,000,712</u>	<u>\$ 530,316,581</u>
Liabilities			
Current and other liabilities	\$ 31,549,105	\$ 23,520,092	\$ 25,676,903
Long-term liabilities	277,162,886	296,696,185	257,205,624
Total liabilities	<u>308,711,991</u>	<u>320,216,277</u>	<u>282,882,527</u>
Deferred inflows of resources	22,633,885	23,314,531	14,125,298
Total liabilities and deferred inflows of resources	<u>331,345,876</u>	<u>343,530,808</u>	<u>297,007,825</u>
Net position			
Net investment in capital assets	174,285,121	168,702,850	157,671,143
Restricted	52,791,933	60,089,221	21,293,817
Unrestricted	43,978,444	17,677,833	54,343,796
Total net position	<u>\$ 271,055,498</u>	<u>\$ 246,469,904</u>	<u>\$ 233,308,756</u>

Financial Analysis

- Metro's total assets and deferred outflows exceeded its total liabilities and deferred inflows as of the close of the most recent year by \$271,055,498 (net position). Of this amount, \$43,978,444 (unrestricted) may be used to meet Metro's ongoing obligations.
- Metro's net capital assets increased by \$6,765,287 (See Note 4).
- Metro implemented Government Accounting Standards Board Statement No. 101, *Compensated Absences*. Implementation of the standard had an immaterial impact on the financial statements.

Financial Analysis (Continued)

- Metro’s long-term liabilities decreased by \$19,642,045, which was primarily the result of Metro paying off bond principal and the amortization of bond reoffering premiums and deferred bond refunding amounts. As of June 30, 2025, Metro has bond proceeds receivable from these offerings in the amount of \$17,493,000.
- Metro’s operating revenues increased by \$899,033. The primary reason for this increase was a 3% overall increase to water rates. Non-operating property tax revenues increased by \$13,844,527 compared to the prior year as a result of the certified property tax rate increasing from 0.000216 for Sandy City and 0.000200 for Salt Lake City to 0.000350 for both cities during 2025.

Metro’s primary sources of revenue are made up from water sales, property taxes, and special assessment revenues. Each source of revenue is predictably stable with slight variations in property taxes due to changes in property values and/or certified tax rates. Special assessment revenues are based on each member city’s investment in new system capacity and/or new water supplies. Once the special assessments are established, they remain stable until the investment in system capacity or water supply has been paid.

Metropolitan Water District of Salt Lake & Sandy's Changes in Net Position

Year ended June 30,	2025	2024	2023
Operating revenues	\$ 25,554,101	\$ 24,655,068	\$ 24,293,433
Operating expenses	(39,311,272)	(36,552,272)	(34,694,955)
Operating loss	(13,757,171)	(11,897,204)	(10,401,522)
Non-operating revenues	46,027,485	31,225,934	28,784,202
Non-operating expenses	(7,684,720)	(6,167,582)	(5,846,193)
Total non-operating revenues (expenses), net	38,342,765	25,058,352	22,938,009
Change in net position	24,585,594	13,161,148	12,536,487
Net position - beginning of year	246,469,904	233,308,756	220,772,269
Net position - end of year	\$ 271,055,498	\$ 246,469,904	\$ 233,308,756

Metropolitan Water District of Salt Lake & Sandy's Summary of Revenues

Year ended June 30,	2025	2024	2023
Operating revenues			
Water sales - member entities	\$ 24,493,357	\$ 23,779,958	\$ 23,087,338
Water sales - nonmember entities	1,060,744	875,110	1,206,095
Total operating revenues	25,554,101	24,655,068	24,293,433
Non-operating revenues			
Property tax revenues	27,239,824	13,395,297	13,063,352
Special assessment revenue	11,990,374	11,875,272	11,857,145
Interest income	5,334,064	3,817,553	2,446,305
Unrealized (loss) gain on investments	147,881	358,634	(145,995)
Grant funding	866,385	1,579,536	1,322,901
Gain on disposal of capital assets	154,680	29,151	80,501
Other revenue	294,277	170,491	159,993
Total non-operating revenues	46,027,485	31,225,934	28,784,202
Total revenues	\$ 71,581,586	\$ 55,881,002	\$ 53,077,635

Metropolitan Water District of Salt Lake & Sandy's Summary of Expenses

Year ended June 30,	2025	2024	2023
Operating expenses			
Cost of sales and services	\$ 17,929,285	\$ 16,795,870	\$ 16,163,505
General and administrative	10,141,932	8,631,525	7,423,246
Depreciation	11,240,055	11,124,877	11,108,204
Total operating expenses	39,311,272	36,552,272	34,694,955
Non-operating expenses			
Interest expense	5,574,445	5,325,180	5,032,660
Contributions to other governments	2,110,275	842,402	813,533
Total non-operating expenses	7,684,720	6,167,582	5,846,193
Total expenses	\$ 46,995,992	\$ 42,719,854	\$ 40,541,148

Capital Asset Activity

Metro's capital assets (net of accumulated depreciation) as of June 30, 2025 and 2024, amounted to \$421,197,751 and \$414,432,464, respectively. This investment in capital assets includes the water system, land, administrative buildings and equipment, aqueduct rights and privileges, and investments in surface water resources (see Note 4).

Long-Term Debt

Metro's bonds payable as of June 30, 2025 and 2024, amounted to \$216,380,000 and \$228,245,000, respectively, a decrease of \$11,865,000 during 2025. As a result of those bond issuances, Metro has recorded unamortized bond premiums, net of discounts, that are amortized over the life of the bonds. As of June 30, 2025 and 2024, unamortized bond premiums, net of discounts, amounted to \$14,723,795 and \$16,233,061, respectively, a change of \$1,509,266 during 2025. In addition, Metro is committed to pay to Central Utah Water Conservancy District (CUWCD) a pro rata portion of CUWCD's construction repayment obligation in return for a permanent right to the use of 20,000 acre feet of the Municipal and Industrial System water annually, and this obligation is recognized in the financial statements as Water Rights Payable. As of June 30, 2025 and 2024, Metro's obligation for the Water Rights Payable amounted to \$62,395,200 and \$65,366,400, respectively, a change of \$2,971,200 during 2025. See Note 5 for additional information related to Metro's long-term debt.

Economic Factors and Budgetary Analysis

Due to escalating costs and aging infrastructure, Metro plans to increase revenue either through an increase to the certified tax rate or increase to water rates. A 3% increase for non-member city water rates is budgeted. Future water rate increases are anticipated to be 5% for fiscal year 2026, and 6% for fiscal year 2027. Increases to the certified tax rates require approval by the city councils. Projected rate increases have been communicated to the member cities and they anticipate the change. Operations and maintenance expenses are budgeted at an inflationary index of 3% per year. Capital expenditures are planned using asset management techniques that evaluate the condition, criticality, and consequence of the asset. Long-term debt is reviewed on an ongoing basis in an effort to capitalize on any opportunities. As of June 30, 2025, Metro's bond ratings are AA+ and AA+ by S&P and Fitch, respectively. The anticipated revenue increases are necessary to meet future operations and maintenance, capital, and debt service costs.

Request for Information

This financial report is designed to give its readers a general overview of Metro's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the General Manager, 3430 East Danish Road, Cottonwood Heights, Utah 84093 or by calling 801-942-9623.

FINANCIAL STATEMENTS

Metropolitan Water District of Salt Lake & Sandy
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS:		
Current assets		
Cash and cash equivalents (Note 2)	\$ 34,906,520	\$ 26,220,725
Accounts receivable	2,362,213	3,077,108
Property taxes receivable	22,474,657	21,741,332
Leases receivable, current	48,245	45,439
Prepaid expenses and other receivables	2,982,614	232,117
Bond proceeds receivable	17,493,000	17,493,000
Supplies inventory	357,752	445,158
Total current assets	80,625,001	69,254,879
Non-current assets		
Restricted cash and cash equivalents (Note 2)	52,791,933	60,089,221
Leases receivable, net of current portion (Note 9)	290,609	338,858
Investments	33,968,309	30,319,052
Capital assets, net (Note 4)	421,197,751	414,432,464
Total non-current assets	508,248,602	505,179,595
Total assets	588,873,603	574,434,474
Deferred outflows of resources		
Deferred outflows relating to pensions (Note 6)	1,955,311	1,978,898
Deferred charge on bond refundings	11,572,460	13,587,340
Total assets and deferred outflows of resources	\$ 602,401,374	\$ 590,000,712
LIABILITIES AND NET POSITION:		
Current liabilities		
Accounts payable	\$ 9,430,293	\$ 5,407,017
Accrued expenses	295,763	273,524
Accrued interest payable	3,188,557	2,914,692
Compensated absences, current	114,292	88,659
Water rights payable, current	2,971,200	2,971,200
Bonds payable, current	15,549,000	11,865,000
Total current liabilities	31,549,105	23,520,092
Long-term liabilities		
Bonds payable, net of current portion (Note 5)	200,831,000	216,380,000
Unamortized bond premium, net of discounts	14,723,795	16,233,061
Water rights payable, net of current portion (Note 5)	59,424,000	62,395,200
Compensated absences, net of current portion (Note 5)	702,078	593,332
Net pension liability (Note 6)	1,482,013	1,094,592
Total long-term liabilities	277,162,886	296,696,185
Total liabilities	308,711,991	320,216,277
Deferred inflows of resources		
Property taxes levied for future year	22,166,935	21,568,352
Deferred inflows relating to leases	338,854	384,297
Deferred inflows relating to deferred charges on bond refundings	124,136	1,356,849
Deferred inflows relating to pensions (Note 6)	3,960	5,033
Total liabilities and deferred inflows of resources	331,345,876	343,530,808
Net position		
Net investment in capital assets	174,285,121	168,702,850
Restricted (Note 3)	52,791,933	60,089,221
Unrestricted (Note 3)	43,978,444	17,677,833
Total net position	\$ 271,055,498	\$ 246,469,904

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

Metropolitan Water District of Salt Lake & Sandy
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES:		
Water sales - member entities	\$ 24,493,357	\$ 23,779,958
Water sales - nonmember entities	1,060,744	875,110
Total operating revenues	25,554,101	24,655,068
OPERATING EXPENSES:		
Cost of sales and services	17,929,285	16,795,870
General and administrative	10,141,932	8,631,525
Depreciation	11,240,055	11,124,877
Total operating expenses	39,311,272	36,552,272
Operating loss	(13,757,171)	(11,897,204)
NON-OPERATING REVENUES (EXPENSES):		
Property tax revenues	27,239,824	13,395,297
Special assessment revenue	11,990,374	11,875,272
Interest income	5,334,064	3,817,553
Interest expense	(5,574,445)	(5,325,180)
Unrealized gain on investments	147,881	358,634
Reimbursement of project costs	10,983,587	-
Project costs incurred on behalf of member city	(10,983,587)	-
Grant funding	866,385	1,579,536
Gain on disposal of capital assets	154,680	29,151
Contributions to other governments	(2,110,275)	(842,402)
Other revenue	294,277	170,491
Total non-operating revenues (expenses), net	38,342,765	25,058,352
Change in net position	24,585,594	13,161,148
Net position, beginning of year	246,469,904	233,308,756
Net position, end of year	\$ 271,055,498	\$ 246,469,904

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

Metropolitan Water District of Salt Lake & Sandy
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from water sales - member entities	\$ 25,208,252	\$ 23,714,734
Receipts from water sales - nonmember entities	1,060,744	875,110
Payments to vendors	(3,386,387)	(7,015,440)
Payments for general and administrative expenses	(5,771,809)	(2,993,465)
Payments to employees	(6,431,120)	(6,448,184)
Employee benefits paid	(4,454,377)	(4,276,729)
Administrative payments made to Provo River Water Users Association	(6,710,685)	(5,837,708)
Net cash flows from operating activities	<u>(485,382)</u>	<u>(1,981,682)</u>
Cash flows from non-capital financing activities:		
Property tax revenue	24,994,807	12,540,001
Other revenue	294,277	170,491
Net cash flows from non-capital financing activities	<u>25,289,084</u>	<u>12,710,492</u>
Cash flows from capital and related financing activities:		
Special assessment revenue	11,990,374	11,875,272
Payments made on water rights payable	(2,971,200)	(2,971,200)
Principal paid on revenue bonds	(11,865,000)	(11,155,000)
Proceeds from issuance of revenue bonds	-	37,507,000
Receipts from grant funding	866,385	332
Proceeds from sales of capital assets	30,165	50,365
Acquisition and construction of capital assets	(17,270,928)	(10,994,408)
Interest paid	(6,027,679)	(5,208,192)
Net cash flows from capital and related financing activities	<u>(25,247,883)</u>	<u>19,104,169</u>
Cash flows from investing activities:		
Purchase of investments	(3,501,376)	(764,269)
Interest received from investments	5,334,064	3,817,553
Net cash flows from investing activities	<u>1,832,688</u>	<u>3,053,284</u>
Change in cash, restricted cash, and cash equivalents	1,388,507	32,886,263
Cash, restricted cash, and cash equivalents, beginning of year	86,309,946	53,423,683
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 87,698,453</u>	<u>\$ 86,309,946</u>

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

Metropolitan Water District of Salt Lake & Sandy
Statements of Cash Flows (Continued)
Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (13,757,171)	\$ (11,897,204)
Depreciation	11,240,055	11,124,877
Net pension asset related deferred outflows and inflows	409,935	(233,173)
Decrease (increase) in accounts receivable	714,895	(65,224)
Decrease (increase) in prepaid expenses and other receivables	(2,750,497)	33,525
Decrease in supplies inventory	87,406	39,614
Increase (decrease) in accounts payable	3,413,377	(997,024)
Increase in accrued expenses and compensated absences	156,618	12,927
Net cash flows from operating activities	\$ (485,382)	\$ (1,981,682)
Represented on the statements of net position as:		
Unrestricted cash and cash equivalents	\$ 34,906,520	\$ 26,220,725
Restricted cash and cash equivalents	52,791,933	60,089,221
Cash, restricted cash, and cash equivalents, end of year	\$ 87,698,453	\$ 86,309,946
Noncash investing, capital, and financing activities:		
Unrealized gain on investments	\$ 147,881	\$ 358,634

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

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Note 1 - Significant Accounting Policies

Reporting Entity

The Metropolitan Water District of Salt Lake & Sandy ("Metro") is organized under the Metropolitan Water District Act. Metro is a separate legal entity, with a seven member board, five of which are appointed by Salt Lake City and two of which are appointed by Sandy City. Board members serve for a specified term and cannot be removed without cause. However, as the member cities are unable to impose their will and are not financially accountable for Metro, Metro is not reported as a component unit of the member cities. Substantially all of the water resources developed by Metro are sold to Salt Lake City and Sandy City.

Basis of Presentation

Metro is a governmental unit that is accounted for as a business-type activity. It is classified as a proprietary fund type and operates as an enterprise fund. Metro's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. Metro applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

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

Deposits and Investments

Metro's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the Public Treasurer's Investment Fund ("PTIF").

PTIF, managed by the Utah State Treasurer's Office, operates in accordance with appropriate state laws and regulations. The reported value of the PTIF is the same as the fair value of the pooled shares and are included as cash and cash equivalents, and is not required to be reported in the fair value hierarchy.

Investments for Metro are reported at fair value.

Accounts Receivable

Accounts receivable are generally comprised of receivables on water sales and special assessment revenues, which are expected to be paid by member cities and other wholesale customers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any uncollectable amounts as most payments are from governmental entities.

Supplies Inventory

Inventories, consisting of chemicals for the purification of water and fuels are stated at the lower of cost (on the first-in, first-out basis) or market.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Capital Assets

Capital assets include property, plant, equipment, and intangible assets (i.e. investment in water sources, water rights, easements/rights of way), and are defined by Metro as assets with an initial, individual cost of more than \$15,000 and an estimated useful life of more than three years. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Water sources and water rights are recorded at their acquisition cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5-50
Machinery and equipment	3-20
Transportation equipment	3-7
Furniture and fixtures	3-20
Aqueduct and appurtenances	5-75

Costs of preliminary surveys, design and other investigations which are related to proposed construction are deferred and included in construction in progress until the projects are placed in service, at which time they are depreciated over their useful lives. The cost of discontinued projects is charged to expense in the year the decision is made to discontinue the project.

Leases

Metro is the lessor for noncancellable leases for various land leases for cell towers. Metro recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At commencement of a lease, Metro initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Metro determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- Metro uses their incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Metro monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Bond Issuance Costs, Bond Discounts, and Bond Premiums

Costs incurred for bond issuance are expensed as incurred. Costs incurred for bond discounts and bond premiums are amortized over the term of the related bonds using a method approximating the effective interest method.

Use of Estimates in the Preparation of Financial Statements

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

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Compensated Absences

During the year ended June 30, 2025, Metro adopted GASB Statement No. 101, *Compensated Absences*. The new standard requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or paid out upon termination or retirement. Implementation of the standard had an immaterial impact to the financial statements.

Metro permits eligible employees to accumulate earned, but unused, vacation and sick leave benefits while they are working for Metro. When an employee terminates or retires, Metro pays that employee 100% of his or her accrued vacation leave. When an employee retires, in addition to the vacation payout, Metro also pays that employee 25% of his or her accrued sick leave. Accrued vacation and sick leave are recorded in the financial statements as a liability. The liability for compensated absences includes salary-related benefits, where applicable. Also, the liability recorded for sick leave is based on the sick leave attributable to current employees eligible to retire and those employees projected to retire in the future.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements 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 that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Metro reports deferred charges on bond refundings and pensions as deferred outflows of resources on the accompanying statement of net position.

In addition to liabilities, the financial statements will sometimes report 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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Metro reports deferred charges on bond refundings, property taxes levied for future year, leases as required by GASB 87, and pensions as deferred inflows of resources on the accompanying statement of net position.

Revenue Recognition and Classification

Metro operates as a single enterprise fund and follows the economic resources measurement focus and the accrual basis of accounting. Operating revenues are recognized when earned and measurable, and non-operating revenues are recognized when earned and when eligibility requirements are met. Metro also receives revenue from other governmental entities for infrastructure projects in which it has administrative involvement, and such funds are recognized as non-operating revenue when received and non-operating expenses when remitted or spent. Additional detail of revenues is summarized as follows:

- *Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions such as water sales revenue. Revenue from water sales is recorded at the stated wholesale water rate. Water usage is measured by flow meters located throughout the system.
- *Non-operating revenues* - Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Examples of non-operating revenues include property tax revenues, special assessments, grant funding, interest income, and gain or loss on sale of assets.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Property Tax Revenue

Property tax revenue is collected and remitted by the Salt Lake County Treasurer as an agent for Metro. Utah statutes establish the process by which taxes are levied and collected. Property values are assessed as of January 1 of the year in which they are due. September 1 is the levy date with a due date of November 30. Delinquent taxes are subject to a two percent penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate, and the interest period is from January 1 until the date paid. If on March 15 following the lapse of five years from the date when the property taxes became delinquent, the taxes remain delinquent, the County Treasurer advertises and sells the property at a tax sale.

Contributions to Other Governments

Contributions made to other governments represents payments made to other governmental entities in support of regional water resource management, infrastructure collaboration, and intergovernmental agreements. These contributions are considered non-operating expenses and are not directly tied to Metro's core water sales operations. For the fiscal year ended June 30, 2025 and 2024, contributions to other governments totaled \$2,110,275 and \$842,402, respectively.

Classification of Net Position

- *Net investment in capital assets* - This component of net position consists of Metro'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 invested in capital assets, net of related debt.
- *Restricted* - This component of net position consists of assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets".

Risk Management

Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All general liability, real property, and vehicles are insured through commercial policies. Metro has established an insurance/contingency reserve (\$2,000,000) to fund deductibles on the commercial policies. In addition Metro carries workers' compensation and requires employer's liability coverage. The amount of settlements did not exceed insurance coverage for the past three years for all policies.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS), including additions to and deductions from URS's fiduciary net position, have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Fair Value Measurement

Metro categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Metro has the following recurring fair value measurements as of June 30, 2025 and 2024:

- Corporate bonds of \$22,992,242 and \$13,484,202 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2025 and 2024, respectively.
- International bonds of \$0 and \$749,921 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2025 and 2024, respectively.
- U.S. obligations of \$7,237,870 and \$13,618,331 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2025 and 2024, respectively.
- Government agencies of \$3,738,197 and \$2,466,598 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2025 and 2024, respectively.

There were no changes in the valuation techniques used to determine the fair value of these financial instruments during the fiscal years ended June 30, 2025 and 2024.

Recent Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. GASB 103 revises the structure and content of the Management’s Discussion and Analysis (MD&A), requiring it to focus on five key areas: (1) overview of financial statements, (2) financial summary, (3) analysis of financial position and operations, (4) description of capital assets and long-term financing activity, and (5) forward-looking information. The Statement also modifies the presentation of proprietary fund financial statements and unusual or infrequent items. The effective date of GASB 103 is for fiscal years beginning after June 15, 2025. Metro will adopt this standard beginning July 1, 2025.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. GASB 104 requires governments to separately disclose certain capital assets in the notes to the financial statements, including intangible right-to-use assets (such as leases, subscription-based IT arrangements, and public-private partnerships) and capital assets held for sale. Capital assets held for sale must meet two criteria: (1) the government has decided to sell the asset, and (2) it is probable the sale will be finalized within one year of the financial statement date. The effective date of GASB 104 is for fiscal years beginning after June 15, 2025. Metro will adopt this standard beginning July 1, 2025.

Note 2 - Cash, Cash Equivalents, and Investments

Unrestricted cash and cash equivalents consisted of the following as of June 30, 2025 and 2024:

	2025	2024
Unrestricted:		
Insurance/contingency reserve	\$ 2,000,000	\$ 2,000,000
Capital projects reserve	10,000,000	10,000,000
Aquifer storage and recovery	-	292,809
Operations and maintenance	22,906,520	13,927,916
Total unrestricted cash and cash equivalents	\$ 34,906,520	\$ 26,220,725

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Notes to Financial Statements

Restricted cash and cash equivalents consisted of the following as of June 30, 2025 and 2024:

	2025	2024
Restricted:		
Bond accounts	\$ 44,125,918	\$ 52,207,747
Operations and maintenance reserve	7,903,654	7,123,302
Renewal and replacement	650,000	650,000
150th South pipeline agreement	41,623	39,735
Jordan Valley Water Treatment Plan Operations and Maintenance agreement	20,000	20,000
Jordan aqueduct repayment contract	50,738	48,437
Total restricted cash and cash equivalents	52,791,933	60,089,221
Total cash and cash equivalents	\$ 87,698,453	\$ 86,309,946

Deposits

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, Metro's deposits may not be returned to it. Metro does not have a formal deposit policy for custodial credit risk. The Act requires all deposits of local government 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 requirements of the Act and adhering to the rules of the Council.

As of June 30, 2025 and 2024, Metro's deposits had bank balances of \$11,260,447 and \$1,336,263, respectively, which are held in qualified depositories. Because these funds are held in a daily sweep account, they are not covered by federal depository insurance, and all balances are uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. Metro's policy for limiting the credit risk of investments is to comply with the Money Management Act. Metro is authorized to invest in the PTIF, an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Money Management Council requirements. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees of the PTIF, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. For the years ended June 30, 2025 and 2024, Metro had funds of \$51,894,750 and \$52,744,707, respectively, with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

As of June 30, 2025 and 2024, Metro had \$24,585,115 and \$33,033,802, respectively, of bond funds that are held in a savings account with a local bank. A majority of these funds are not covered by FDIC limits.

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Interest Rate Risk

Interest rate risk is the potential for investment losses that result from a change in interest rates which will adversely affect the fair value of an investment. Metro manages its exposure to declines in fair value 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. Metro's investment policy specifies that all investments will be sufficiently liquid to enable Metro to meet all operating requirements which might be reasonably anticipated.

The Act authorizes investments in both negotiable and 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, one of which must be Moody's Investors Services or Standard & Poor's; 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), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie 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; and shares or certificates in a money market mutual fund as defined in the Act.

Metro's investments at June 30, 2025 are presented below:

Investment type:	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Corporate bonds	\$ 22,992,242	\$ 466,568	\$ 22,525,674	\$ -
U.S. obligations	7,237,870	747,403	6,490,467	-
Government agencies	3,738,197	744,075	2,994,122	-
Total	\$ 33,968,309	\$ 1,958,046	\$ 32,010,263	\$ -

Metro had the following investments and quality ratings (S&P ratings) at June 30, 2025:

Investment type:	Fair value	Quality ratings
Corporate bonds	\$ 22,992,242	AA+ to BBB+
U.S. obligations	7,237,870	AA+
Government agencies	3,738,197	AA+
Total	\$ 33,968,309	

Metro's investments at June 30, 2024 are presented below:

Investment type:	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Corporate bonds	\$ 13,484,202	\$ 3,705,671	\$ 9,778,531	\$ -
International bonds	749,921	749,921	-	-
U.S. obligations	13,618,331	5,441,173	8,177,158	-
Government agencies	2,466,598	-	2,466,598	-
Total	\$ 30,319,052	\$ 9,896,765	\$ 20,422,287	\$ -

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Metro had the following investments and quality ratings (S&P ratings) at June 30, 2024:

Investment type:	<u>Fair value</u>	<u>Quality ratings</u>
Corporate bonds	\$ 13,484,202	AA- to A-
International bonds	749,921	A
U.S. obligations	13,618,331	AA+
Government agencies	<u>2,466,598</u>	AA+
Total	<u>\$ 30,319,052</u>	

Note 3 - Net Position

Net position is restricted by provisions of the bond resolutions adopted by Metro (Note 5) as follows:

Amounts restricted for revenue bond debt service - On April 29, 2002, Metro adopted a master resolution providing for the issuance of water revenue bonds ("2002 Bond Resolution") which requires that a debt service account ("Bond Fund") be maintained, at minimum, that is equal to the principal and interest installment due within the fiscal year on the outstanding revenue bonds.

Amounts restricted for costs of construction projects - The 2002 Bond Resolution requires that a reserve be established or bond proceeds restricted to the related construction projects. Any excess funds shall be applied to the payment of principal and interest on the bonds when due.

Amounts restricted for renewal and replacement - The 2002 Bond Resolution requires that an initial renewal and replacement reserve of \$650,000 be established but the reserve may be increased or decreased from time to time by a supplemental resolution. In the event a deficiency arises in the amounts restricted for the Bond Fund, monies in the renewal and replacement reserve shall be transferred to satisfy the deficiency.

Use of restricted assets - When both restricted and unrestricted resources are available for use, it is Metro's policy to utilize restricted resources first, then unrestricted resources as they are needed.

As of June 30, 2025 and 2024, the restricted component of net position is as follows:

	<u>2025</u>	<u>2024</u>
Future debt service	\$ 44,125,918	\$ 52,207,747
Operations and maintenance (master bond resolution requirement)	7,903,654	7,123,302
Renewal and replacement	650,000	650,000
150th South pipeline agreement	41,623	39,735
Jordan Valley Water Treatment Plan Operations and Maintenance agreement	20,000	20,000
Jordan aqueduct repayment contract	50,738	48,437
Total	<u>\$ 52,791,933</u>	<u>\$ 60,089,221</u>

As of June 30, 2025 and 2024, the unrestricted component of net position is as follows:

	<u>2025</u>	<u>2024</u>
Committed:		
Insurance/contingency reserve	\$ 2,000,000	\$ 2,000,000
Capital projects reserve	10,000,000	10,000,000
Aquifer storage and recovery reserve	-	292,809
Uncommitted	<u>31,978,444</u>	<u>5,385,024</u>
Total	<u>\$ 43,978,444</u>	<u>\$ 17,677,833</u>

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Capital assets, not being depreciated:				
Water right/shares*	\$ 153,377,072	\$ -	\$ -	\$ 153,377,072
Land and rights of way	22,023,773	760,195	-	22,783,968
Construction in progress**	13,639,080	17,154,927	(845,550)	29,948,457
Total capital assets, not being depreciated	<u>189,039,925</u>	<u>17,915,122</u>	<u>(845,550)</u>	<u>206,109,497</u>
Capital assets, being depreciated:				
Buildings and improvements	292,511,675	119,840	-	292,631,515
Machinery and equipment	20,940,316	529,103	-	21,469,419
Transportation equipment	1,485,970	170,703	(59,494)	1,597,179
Furniture and fixtures	60,173	-	-	60,173
Aqueduct and appurtenances***	112,074,873	116,124	-	112,190,997
Total capital assets, being depreciated	<u>427,073,007</u>	<u>935,770</u>	<u>(59,494)</u>	<u>427,949,283</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(139,136,568)	(7,954,061)	-	(147,090,629)
Machinery and equipment	(12,089,320)	(867,447)	-	(12,956,767)
Transportation equipment	(848,670)	(121,764)	59,494	(910,940)
Furniture and fixtures	(60,173)	-	-	(60,173)
Aqueduct and appurtenances	(49,545,737)	(2,296,783)	-	(51,842,520)
Total accumulated depreciation/amortization	<u>(201,680,468)</u>	<u>(11,240,055)</u>	<u>59,494</u>	<u>(212,861,029)</u>
Total capital assets being depreciated, net	<u>225,392,539</u>	<u>(10,304,285)</u>	<u>-</u>	<u>215,088,254</u>
Total capital assets, net	<u>\$ 414,432,464</u>	<u>\$ 7,610,837</u>	<u>\$ (845,550)</u>	<u>\$ 421,197,751</u>

* This amount includes water rights purchased through agreements with the following organizations: Central Utah Water Conservancy District (CUWCD) – \$118,848,007; Provo River Water Users Association – \$18,188,008; Ontario Drain Tunnel (ODT) - \$13,830,745; Utah Lake Water Users Association - \$2,372,689; and North Despain – \$137,623.

** Construction in process (CIP) consists mainly of costs associated with the Salt Lake Aqueduct Replacement - Cottonwoods Conduit (SLAR-CC), Managed Aquifer Recharge, and Jordan Aqueduct System projects. Costs incurred and capitalized to CIP during the year ended June 30, 2025 for each project were \$12,434,192, \$1,636,730, and \$940,475, respectively.

*** The Salt Lake Aqueduct, Point of the Mountain Aqueduct, and Jordan Aqueduct and associated appurtenances are recorded in the Aqueduct and Appurtenances group of assets.

Metro is serving as project manager for the SLAR-CC infrastructure project, which involves replacing aging infrastructure to improve water delivery reliability. Metro coordinates this effort with Salt Lake City Department of Public Utilities (SLCPU) under formal cost-sharing agreements. Metro reviews and recommends payments as part of Metro's administrative involvement. As of June 30, 2025, Metro has recognized pass-through funds as non-operating revenue and expense in the amount of \$10,983,587.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Capital asset activity for the fiscal year ended June 30, 2024 is as follows:

	Beginning Balance	Additions/ Transfers In	Disposals/ Transfers Out	Ending Balance
Capital assets, not being depreciated:				
Water right/shares*	\$ 153,377,072	\$ -	\$ -	\$ 153,377,072
Land and right of way	22,023,773	-	-	22,023,773
Construction in progress**	8,077,128	10,994,530	(5,432,578)	13,639,080
Total capital assets, not being depreciated	<u>183,477,973</u>	<u>10,994,530</u>	<u>(5,432,578)</u>	<u>189,039,925</u>
Capital assets, being depreciated:				
Buildings and improvements	289,067,980	3,443,695	-	292,511,675
Machinery and equipment	19,217,192	1,747,839	(24,715)	20,940,316
Transportation equipment	1,398,902	167,378	(80,310)	1,485,970
Furniture and fixtures	60,173	-	-	60,173
Aqueduct and appurtenances***	112,001,329	73,544	-	112,074,873
Total capital assets, being depreciated	<u>421,745,576</u>	<u>5,432,456</u>	<u>(105,025)</u>	<u>427,073,007</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(131,227,438)	(7,909,130)	-	(139,136,568)
Machinery and equipment	(11,295,245)	(797,576)	3,501	(12,089,320)
Transportation equipment	(807,855)	(121,125)	80,310	(848,670)
Furniture and fixtures	(60,173)	-	-	(60,173)
Aqueduct and appurtenances	(47,248,691)	(2,297,046)	-	(49,545,737)
Total accumulated depreciation/amortization	<u>(190,639,402)</u>	<u>(11,124,877)</u>	<u>83,811</u>	<u>(201,680,468)</u>
Total capital assets being depreciated, net	<u>231,106,174</u>	<u>(5,692,421)</u>	<u>(21,214)</u>	<u>225,392,539</u>
Total capital assets, net	<u>\$ 414,584,147</u>	<u>\$ 5,302,109</u>	<u>\$ (5,453,792)</u>	<u>\$ 414,432,464</u>

* This amount includes water rights purchased through agreements with the following organizations: CUWCD – \$118,848,007; Provo River Water Users Association – \$18,188,008; ODT - \$13,830,745; Utah Lake Water Users Association - \$2,372,689; and North Despain – \$137,623.

** CIP consists mainly of costs associated with SLAR-CC, Managed Aquifer Recharge, and Jordan Aqueduct System projects. Costs incurred and capitalized to CIP during the year ended June 30, 2024 for each respective process were \$3,989,892, \$5,105,716, and \$835,497, respectively.

*** The Salt Lake Aqueduct, Point of the Mountain Aqueduct, and Jordan Aqueduct and associated appurtenances are recorded in the Aqueduct and Appurtenances group of assets.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Note 5 - Long-term Liabilities

As of June 30, 2025 and 2024, Metro's long-term debt consisted of the following:

	2025	2024
2015A Series water revenue refunding bonds, interest at 2% to 4%, maturing in annual installments through fiscal year 2034.	\$ 3,650,000	\$ 3,945,000
2016A Series water revenue refunding bonds, interest at 2% to 5%, maturing in fiscal year 2031 with interest-only payments through 2025.	55,275,000	59,200,000
2020A Series taxable water revenue refunding bonds, interest at 0.3% to 2.3%, maturing in annual installments through fiscal year 2037.	46,875,000	54,520,000
2021A Series water revenue refunding bonds, interest at 4% to 5%, maturing in fiscal year 2036 with interest-only payments through 2030.	43,340,000	43,340,000
2021B Series taxable water revenue bonds, interest at 1% to 2%, maturing in fiscal year 2030 with interest-only payments through 2025.	12,240,000	12,240,000
2024A Series taxable water revenue bonds, interest at 1%, maturing in annual installments through fiscal year 2050.	22,000,000	22,000,000
2024B Series water revenue bonds, interest at 3% to 5.5%, maturing in annual installments through fiscal year 2050.	33,000,000	33,000,000
Total debt	216,380,000	228,245,000
Less bonds payable, current	(15,549,000)	(11,865,000)
Bonds payable, net of current portion	\$ 200,831,000	\$ 216,380,000

Future payments for principal and interest on the bonds payable as of June 30 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 15,549,000	\$ 6,291,986	\$ 21,840,986
2027	16,381,000	5,724,775	22,105,775
2028	17,116,000	5,292,358	22,408,358
2029	17,270,000	4,951,007	22,221,007
2030	17,617,000	4,570,714	22,187,714
2031-2035	75,586,000	15,371,198	90,957,198
2036-2040	32,409,000	5,243,049	37,652,049
2041-2045	14,787,000	2,068,543	16,855,543
2046-2050	9,665,000	291,850	9,956,850
Total	\$ 216,380,000	\$ 49,805,480	\$ 266,185,480

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Notes to Financial Statements

Changes to Metro's long-term liabilities as of June 30, 2025 are as follows:

	Balance at July 1, 2024	Increases	Decreases	Balance at June 30, 2025	Due within One Year
Bonds payable	\$ 228,245,000	\$ -	\$ (11,865,000)	\$ 216,380,000	\$ 15,549,000
Unamortized bond premium	16,233,061	-	(1,509,266)	14,723,795	-
Water rights payable	65,366,400	-	(2,971,200)	62,395,200	2,971,200
Compensated absences*	681,991	134,379	-	816,370	114,292
Net pension liability	1,094,592	387,421	-	1,482,013	-
Total	<u>\$ 311,621,044</u>	<u>\$ 521,800</u>	<u>\$ (16,345,466)</u>	<u>\$ 295,797,378</u>	<u>\$ 18,634,492</u>

Changes to Metro's long-term liabilities as of June 30, 2024 are as follows:

	Balance at July 1, 2023	Increases	Decreases	Balance at June 30, 2024	Due within One Year
Bonds payable	\$ 184,400,000	\$ 55,000,000	\$ (11,155,000)	\$ 228,245,000	\$ 11,865,000
Unamortized bond premium	17,752,277	-	(1,519,216)	16,233,061	-
Water rights payable	68,337,600	-	(2,971,200)	65,366,400	2,971,200
Compensated absences*	685,743	-	(3,752)	681,991	88,659
Net pension liability	841,947	252,645	-	1,094,592	-
Total	<u>\$ 272,017,567</u>	<u>\$ 55,252,645</u>	<u>\$ (15,649,168)</u>	<u>\$ 311,621,044</u>	<u>\$ 14,924,859</u>

* The change in the compensated absences is presented as a net change.

Bond refundings - During fiscal year 2016, Metro issued \$59,200,000 of bonds (series 2016A) to refund \$60,320,000 of outstanding bonds (series 2009A). The series 2016A bonds mature in 2031 and have a rating from the S&P and Fitch of AA+. GASB requires that the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or life of the new debt, whichever is shorter. The difference between the reacquisition price and the net carrying amount of the old debt is comprised of unamortized premiums/discounts, and unamortized termination costs of the refunded bonds, which totaled \$6,293,980 at the date of refunding. The refunding was done in order to reduce total debt service payments in the future and resulted in an estimated economic gain of \$9,153,445.

During fiscal year 2021, Metro issued \$67,415,000 of bonds (series 2020A) to partially refund \$18,380,000 of outstanding bonds (series 2012A), and to refund \$46,755,000 of outstanding bonds (series 2019A). The series 2020A bonds mature in fiscal year 2037 and have a rating from S&P of AA+. The difference between the reacquisition price and the net carrying amount of the old debt is comprised of unamortized premiums/discounts, and unamortized termination costs of the refunded bonds, which totaled \$3,741,333 at the date of refunding. The refunding was done in order to reduce total debt service payments in the future and resulted in an estimated economic gain of \$9,395,284.

During fiscal year 2021, Metro issued \$43,340,000 of bonds (series 2021A) and \$12,240,000 (series 2021B) to refund \$58,800,000 of outstanding bonds (series 2011A). The series 2021A bonds mature in fiscal year 2036 and have a rating from S&P of AA+ while the series 2021B bonds mature in fiscal year 2030 and have a rating from S&P of AA+. The difference between the reacquisition price and the net carrying amount of the old debt is comprised of unamortized premiums/discounts, and unamortized termination costs of the refunded bonds, which totaled \$2,696,134 at the date of refunding. The refunding was done in order to reduce total debt service payments in the future and resulted in an estimated economic gain of \$1,134,279.

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During fiscal year 2024, Metro issued \$22,000,000 of taxable water revenue bonds (series 2024A) and \$33,000,000 of water revenue bonds (series 2024B). Both series 2024A and 2024B bonds mature in fiscal year 2050 and have ratings from S&P of AA+. Metro received all of the bond proceeds for the 2024B bonds, but did not receive all of the bond proceeds for the 2024A bonds as of June 30, 2024, as a portion of those proceeds are set to be received upon Metro achieving specific spend milestones per the bond agreements. As of June 30, 2024, Metro recorded \$17,493,000 in bond proceeds receivable related to the 2024A bonds.

Bond Covenants - Metro has certain covenants associated with its bonds payable, which are more fully described in the 2002 Bond Resolution (as defined in Note 3). Among these covenants is a requirement that Metro maintain net revenues, together with other available funds, that are at least equal to the sum of (1) 115% of the aggregate debt service for the forthcoming fiscal year, (2) 100% of the repayment obligations, if any, which will be due and payable during the forthcoming fiscal year, and (3) 100% of the amounts, if any, required to be deposited into the debt service reserve account during the forthcoming fiscal year.

Pledge of the Bond Resolutions - The 2002 Bond Resolution provides that the Bonds shall be special obligations of Metro payable solely from and secured by: (i) the proceeds of sale of the Bonds; (ii) the water revenues earned by Metro, and (iii) all funds (other than the operation and maintenance fund and the rebate fund), including the investments, if any, thereof, subject to any required rebate of all or a portion of the earnings on such investments to the United States of America.

Funds required by the Bond Resolutions - The 2002 Bond Resolution requires that certain "funds" be established to account for Metro's receipts and disbursements. Such "funds" are accounts within Metro's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the 2002 Bond Resolution.

Water Rights Payable

Pursuant to repayment contracts, Central Utah Water Conservancy District ("CUWCD") is repaying to United States, Department of the Interior, Bureau of Reclamation ("Reclamation") reimbursable construction costs of the Municipal and Industrial (M&I) System of the Bonneville Unit of the Central Utah Project (the Bonneville Unit is referred to here as the "CUP"), together with interest. CUWCD is obligated to operate, maintain, repair and replace M&I System facilities. Conditioned on meeting its obligations under its repayment contract, CUWCD has a permanent right to the use of M&I System facilities and water rights for the benefit of CUWCD's petitioners. Pursuant to a 1986 M&I System petition, Metro is committed to pay to CUWCD a pro rata portion of CUWCD's construction repayment obligation in return for a permanent right to the use of 20,000 acre feet of M&I System water annually. Metro's repayment commitment as of June 30, 2025 and 2024 is \$62,395,200 and \$65,366,400, respectively. Future payments due on the commitment as of June 30 is shown below and is based on \$148.56 per acre foot:

Year Ending June 30,	Future Payment Commitments
2026	\$ 2,971,200
2027	2,971,200
2028	2,971,200
2029	2,971,200
2030	2,971,200
2031-2035	14,856,000
2036-2040	14,856,000
2041-2045	14,856,000
2046-2050	5,942,400
Total	<u>\$ 65,366,400</u>

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Note 6 - Retirement Plans

General information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Participation in Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple-employer, cost sharing, 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 Utah State Retirement 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 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Summary of Benefits by System

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

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 yrs, any age 25 yrs, any age* 20 yrs, age 60* 10 yrs, age 62* 4 yrs, age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 yrs, any age 20 yrs, age 60* 10 yrs, age 62* 4 yrs, age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** 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.

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Contribution 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 Utah State Retirement 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 June 30, 2025 are as follows:

Noncontributory System - 15 Local Government	Tier 1 - DB System	Tier 2 - DB Hybrid System	Tier 2 - 401(k) Option
Employee	-	0.70%	-
Employer	16.97%	15.19%	5.19%
ER 401(k)	-	-	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For the fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 592,302	\$ -
Tier 2 Public Employees System	385,380	17,759
Tier 2 DC Only System	22,808	54
Total contributions	\$ 1,000,490	\$ 17,813

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 and Inflows of Resources

Relating to Pensions

At June 30, 2025, Metro reported a net pension asset of \$0 and a net pension liability of \$1,482,013.

Measurement Date: December 31, 2024	Net Pension Asset	Net Pension Liability
Noncontributory System	\$ -	\$ 1,238,561
Tier 2 Public Employees System	-	243,452
	\$ -	\$ 1,482,013

	Proportionate Share December 31, 2024	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	0.3905757%	0.4086728%	-0.0180971%
Tier 2 Public Employees System	0.0816299%	0.0753447%	0.0062852%

Metropolitan Water District of Salt Lake & Sandy
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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 June 30, 2025, pension expense was \$1,409,310.

At June 30, 2025, Metro 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	\$ 843,251	\$ 1,677
Changes in assumptions	183,762	25
Net difference between projected and actual earnings on pension plan investments	388,635	-
Changes in proportion and differences between contributions and proportionate share of contributions	39,606	2,258
Contributions subsequent to the measurement date	500,057	-
Total	\$ 1,955,311	\$ 3,960

Deferred outflows of resources related to pensions of \$500,057 results from contributions made by Metro 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 Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2026	\$ 740,364
2027	726,128
2028	(132,936)
2029	(4,737)
2030	54,401
Thereafter	68,073

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

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

For the year ended June 30, 2025, pension expense was \$1,143,761.

At June 30, 2025, Metro 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	\$ 738,004	\$ -
Changes in assumptions	102,452	-
Net difference between projected and actual earnings on pension plan investments	373,074	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,186	-
Contributions subsequent to the measurement date	289,424	-
Total	\$ 1,506,140	\$ -

Deferred outflows of resources related to pensions of \$289,424 results from contributions made by Metro 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 Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2026	\$ 712,643
2027	683,098
2028	(151,382)
2029	(27,643)
2030	-
Thereafter	-

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

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

For the year ended June 30, 2025, pension expense was \$265,549.

At June 30, 2025, Metro 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	\$ 105,247	\$ 1,677
Changes in assumptions	81,310	25
Net difference between projected and actual earnings on pension plan investments	15,561	-
Changes in proportion and differences between contributions and proportionate share of contributions	36,420	2,258
Contributions subsequent to the measurement date	210,633	-
Total	\$ 449,171	\$ 3,960

Deferred outflows of resources related to pensions of \$210,633 results from contributions made by Metro 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 Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2026	\$ 27,721
2027	43,030
2028	18,446
2029	22,906
2030	54,401
Thereafter	68,073

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	3.50 - 9.50 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.

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Notes to Financial Statements

The actuarial assumptions used in the January 1, 2023 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:

Asset Class	Expected Return Arithmetic Basis		
	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	<u>100.00%</u>		<u>5.80%</u>
Inflation			<u>2.50%</u>
Expected Arithmetic Nominal Return			<u>8.30%</u>

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

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.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

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 (asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.85 percent) or 1.00 percentage point higher (7.85 percent) than the

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 5,238,096	\$ 1,238,561	\$ (2,115,755)
Tier 2 Public Employees System	727,132	243,452	(132,803)
Total	<u>\$ 5,965,228</u>	<u>\$ 1,482,013</u>	<u>\$ (2,248,558)</u>

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

Note 7 - Deferred Compensation Plans

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.

Metro participates in the following Defined Contribution Savings Plans with URS:

401(k) Plan

Metro offers their full-time regular employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the "Plan"). The Plan is administered by URS. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$23,000 (\$30,500 for employees aged 50 or older) for 2025. Metro contributed 100% of the first 3% contributed by the employee, up to a maximum of 3% of the covered payroll of employees who also participate in the retirement plan. During the years ended June 30, 2025 and 2024, all participants in the Plan also participated in the defined benefit plan of URS. Metro is not legally obligated to contribute to the Plan, and any contribution made is at the discretion of the Board of Trustees. All employee and District contributions are fully vested at all times.

Contributions made by employees to the Plan were \$263,013, \$339,544, and \$348,534 for the fiscal years ended June 30, 2025, 2024 and 2023, respectively. Contributions made by Metro to the Plan were \$202,130, \$195,403, and \$172,405 for the fiscal years ended June 30, 2025, 2024 and 2023, respectively.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

457 and Roth IRA Plans

Metro offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and Roth IRA. The 457 and Roth IRA, administered by URS and available to all District full-time regular employees, permit an employee to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

The employer contribution to the 457 and Roth IRA was \$0 for each of the fiscal years ended June 30, 2025, 2024 and 2023. Employee contributions were \$101,432, \$102,137 and \$125,101 for the 457 Plan and for the Roth IRA plan were \$98,777, \$79,582, and \$86,732 for the fiscal years ended June 30, 2025, 2024 and 2023, respectively.

Traditional IRA Plan

The employer contributions to the Traditional IRA plan was \$0 for the fiscal years ended June 30, 2025, 2024 and 2023. Employee contributions for the Traditional IRA plan were \$0, \$670 and \$650 for the fiscal years ended June 30, 2025, 2024 and 2023, respectively.

The 401(k), 457, Roth IRA and Traditional IRA plans are included in a publicly available financial report that includes financial statements and required supplementary information.

Note 8 - Commitments and Contingent Liabilities

Metro has a number of contracts which give Metro certain permanent rights to the use of water, and permanent rights to water conveyance capacities, contingent upon Metro meeting corresponding long-term commitments to repay to other entities certain incurred capital costs, as well as on-going operation, maintenance and repair costs relating to the facilities involved. These financial commitments are not secured by pledge of Metro taxes or future revenues, and are not legally collectable from Metro funds beyond available annual unencumbered budget appropriations of Metro. Meeting these commitments, however, is important to Metro maintaining the corresponding permanent water and capacity rights, and meeting Metro's priority operation and maintenance obligations described in the 2002 Bond Resolution.

Provo River Project

Metro's largest source of water by volume is the Deer Creek Division of the Provo River Project ("PRP"), a project of the United States, Department of the Interior, Bureau of Reclamation ("Reclamation"). Pursuant to the terms of a 1936 Repayment Contract, the construction costs of the PRP are to be repaid to Reclamation by the Provo River Water Users Association ("Association"). The Association is also obligated to operate, maintain, repair and replace PRP facilities consistent with the repayment contract and Reclamation rules and regulations. The Association fulfilled the repayment contract obligation as of June 30, 2025. The Association has a permanent right to the use of PRP facilities and water rights for the benefit of Association shareholders.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

PRP assessments

Under the terms of Metro’s subscription agreements, Metro is obligated to pay a pro rata per share portion of the operation, maintenance, repair, replacement and capital improvement costs of the PRP (other than the Provo River Aqueduct, discussed below). Contingent upon payment of assessments, Metro is entitled to a permanent right to use PRP water as follows: a pro rata right to the use of all water made available by the Association annually up to a limit of one acre foot per share of stock; a pro rata right to holdover water in Deer Creek Reservoir for future use on a space available basis; a pro rata right to extra allotment water in wet years when it is available as determined by the Secretary of the Interior. If Metro fails to timely pay Association assessments, project water may be withheld by the Association. Any delinquent assessments may be collected by the Association via the advertised public auction of the number of Metro’s Association shares necessary to generate enough revenue to pay then delinquent assessments.

PRP general assessment: The Association assesses a general assessment for the purpose of paying the costs and expenses of operation, maintenance, capital improvement rehabilitation, upgrades, and other improvements related to the facilities of the Association and the Deer Creek Division of the Provo River Project. For the fiscal years ended June 30, 2025 and 2024, payments made by Metro for the general assessment were \$2,932,203 (\$47.37 per share) and \$2,406,672 (\$38.88 per share), respectively.

Provo River Aqueduct

As a part of the PRP, Reclamation purchased a private canal commonly referred to as the Provo Reservoir Canal. The Provo Reservoir Canal was enlarged and improved as a part of the PRP. In 2010, Metro agreed to participate in the Provo Reservoir Canal Enclosure Project ("PRCEP"). The PRCEP involved enclosing the canal in a large steel pipe with greater capacity, now known as the Provo River Aqueduct. The PRCEP involved the participation of Reclamation, Metro, Association, CUWCD, Jordan Valley Water Conservancy District ("JVWCD"), and Provo Reservoir Water Users Company. Under Metro’s amended subscription agreements Metro is entitled to a permanent aqueduct capacity right of 187 cubic feet per second (cfs), conditioned on Metro paying agreed capital, operation and maintenance costs. Metro is obligated to pay to the Association 187/302ths of the Association’s share of the PRCEP construction costs. Those payments are expected to be as follows:

Year Ending June 30,	Assessment Payments
2026	\$ 1,247,000
2027	1,247,000
2028	1,247,000
2029	1,247,000
2030	1,247,000
2031-2035	6,235,000
Total	\$ 12,470,000

Metro is obligated to pay the Association aqueduct maintenance assessments representing 187/302ths of the Association's share of the aqueduct maintenance costs. Metro is obligated to pay a pro rata portion of the Association’s share of the operation costs based on volume of water carried in the aqueduct annually. Metro payments for Provo River Aqueduct operation and maintenance costs to the Association were \$578,426 and \$349,516 for the years ended June 30, 2025 and 2024, respectively.

Metropolitan Water District of Salt Lake & Sandy
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Central Utah Project Municipal and Industrial (M&I) System Petition

Metro also pays to CUWCD a pro rata, per volume of right to use M&I System water, of CUWCD's M&I System operation, maintenance, repair, replacement, and reserve costs as determined by CUWCD's Board of Trustees. Metro's commitments for payments to CUWCD as described do not vary depending upon the amount of M&I System water Metro actually takes or uses. District payments for M&I System operation, maintenance, repair, replacement and reserve costs to CUWCD for the years ended June 30, 2025 and 2024 were \$1,617,000 (\$70.00 per acre foot) and \$1,501,500 (\$65.00 per acre foot), respectively. The petition and applicable state statute describe CUWCD's ability to tax properties benefited by Metro's petition to cover any failure of Metro to meet its commitments. While not described in the petition, CUWCD may also be entitled to withhold M&I System water upon any Metro failure to meet its commitments under the petition. CUWCD repayment obligations to Reclamation, and Metro's repayment commitment to CUWCD, are subject to a final Reclamation allocation of construction costs, and are dependent upon a conditional statutory cap on CUWCD's payment obligation.

Jordan Aqueduct (JA) System

Metro is entitled to 2/7ths of the JA system capacity (including the JA, the Jordan Valley Water Treatment Plant, and the JA Terminal Reservoir). Pursuant to contract, the JA system is operated, maintained, repaired and replaced by JWCD at the direction of committees to which Metro appoints members. Failure of Metro to meet its commitments relating to JA could result in capacity being withheld. Metro is obligated to pay for 2/7ths of the capital improvement costs related to the JA system. Metro payments for capital improvements were \$940,475 and \$790,469 for the years ended June 30, 2025 and 2024, respectively. Metro is obligated to pay maintenance costs pro rata based on capacity. Metro is also obligated to pay a pro rata portion of the operation costs based on volume of water conveyed. Metro payments for operation and maintenance costs were \$608,364 and \$556,911 for the years ended June 30, 2025 and 2024, respectively.

150th South Pipeline

Metro is entitled to 50% of the 150th South Pipeline capacity. Pursuant to contract, the 150th South Pipeline is operated, maintained, repaired and replaced by JWCD at the direction of a committee to which Metro appoints members. Failure of Metro to meet its commitments relating to the 150th South Pipeline could result in capacity being withheld. Metro is obligated to pay 50% of the capital improvement costs related to the 150th South Pipeline. Metro payments for capital improvements were \$50,325 and \$45,029 for the years ended June 30, 2025 and 2024, respectively. Metro is obligated to pay maintenance costs pro rata based on capacity. Metro is also obligated to pay a pro rata portion of the operation costs based on volume of water conveyed. Metro payments for operation and maintenance costs were \$54,292 and \$40,280 for the years ended June 30, 2025 and 2024, respectively.

Ontario Drain Tunnel

Metro entered into an agreement with Sandy City for Metro to purchase water rights in the Ontario Drain Tunnel. The rights are owned by Metro and were purchased using water revenue bond proceeds. As part of the agreement, Sandy City will pay special assessments to cover the portion of the bond payments corresponding to the purchase. The expected flow of cash from these assessments is as follows:

Year Ending June 30,	Assessment Payments
2026	\$ 910,352
2027	969,854
2028	1,009,443
2029	1,046,569
2030	1,080,744
2031	1,108,490
Total	\$ 6,125,452

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Salt Lake City and Sandy City Assessments

Metro has an agreement with Salt Lake City and Sandy City to pay special assessments related to capital improvements for the cities' respective share of capacity in the Point of the Mountain Water Treatment Plant, Point of the Mountain Aqueduct, and improvements to Little Cottonwood Water Treatment Plant. The expected flow of cash from these assessments is as follows:

Year Ending June 30,	Assessment Payments
2026	\$ 11,232,214
2027	11,232,214
2028	11,232,214
2029	11,232,214
2030	11,232,214
2031-2035	50,544,963
Total	\$ 106,706,033

Major Customers

Metro has two major customers that make up 95.85% and 96.45% of Metro's water sales for the years ended June 30, 2025 and 2024, respectively. For the years ended June 30, 2025 and 2024, the percentages of water sales are as follows:

	2025	2024
Salt Lake City	69.01%	69.44%
Sandy City	26.84%	27.01%
Total	95.85%	96.45%

Agreement with Central Utah Water Conservancy District

Metro has an agreement with CUWCD regarding the Point of the Mountain Water Treatment Plant ("POMWTP"). CUWCD has possible future need for 30 million gallons per day ("mgd") of the raw water conveyance capacity. Accordingly, CUWCD has asked Metro to reserve up to 30 mgd of conveyance capacity. CUWCD agreed to pay, and has paid, Metro 30/151ths (19.868%) of the costs related to land acquisition, development and the cost of design and construction of the treatment plant, which share totaled \$10,000,000. The agreement states that if in the future CUWCD determines that it does not require the use of the described capacities, the money paid by CUWCD for its share of the costs will be refunded by Metro to CUWCD, without interest, as further outlined in the agreement. The agreement had a termination date of December 31, 2020. However, CUWCD requested an extension of time to exercise their 30 mgd capacity, thereby postponing Metro's interest-free repayment obligation. Metro and CUWCD entered into a new agreement in January 2022 that remains in effect until January 31, 2032. Metro will continue to reserve 30 mgd of conveyance capacity for CUWCD's future use. CUWCD may at any time during the term of the agreement determine that it will use the excess POMWTP capacities by providing written notice to Metro.

In accordance with accounting standards, management has not recorded a liability on the accompanying financial statements but has disclosed the nature and possible range of the contingency. Per the agreement, repayment would be made annually in the amount of \$2,000,000 over a five year period. If repayment were to occur, Metro would make an assessment to its member cities equal to the obligation. Management's conclusions are based on facts and circumstances that existed as of the date these financial statements were issued.

Metropolitan Water District of Salt Lake & Sandy
Notes to Financial Statements

Note 9 - Leases - Lessor Activities

Metro has over many years entered into various telecom tower lease agreements with some ongoing since 2006. In these leases, Metro leases land to the telecommunication providers. As of June 30, 2025 Metro has two active leases, with the most recent agreement beginning in 2018. The agreements have end dates in 2030 and 2032. Annual payments to Metro range from \$29,010 to \$39,650 with interest rates at 4% on each lease (used as the discount rates). Metro recognized \$63,342 and \$62,477, respectively, in income from these leases and \$2,639 and \$2,603, respectively, in interest income for the years ended June 30, 2025 and 2024, respectively.

Note 10 - Subsequent Events

Metro evaluated all events or transactions that occurred after June 30, 2025 through October 6, 2025, the date the financial statements were available to be issued.

Required Supplementary Information

Metropolitan Water District of Salt Lake & Sandy
Schedule of the Proportionate Share of the
Net Pension Liability (Asset)
Last 10 Fiscal Years*

Noncontributory Retirement System	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability (asset)	0.3905757%	0.4086728%	0.4431258%	0.4321594%	0.4138208%	0.4152822%	0.4077037%	0.4088446%	0.4156324%	0.4246631%
Proportionate share of the net pension liability (asset)	\$ 1,238,561	\$ 947,943	\$ 758,963	\$ (2,475,023)	\$ 212,266	\$ 1,565,144	\$ 3,002,217	\$ 1,791,271	\$ 2,668,869	\$ 2,402,950
Covered-employee payroll	\$ 3,731,646	\$ 3,982,211	\$ 4,195,773	\$ 3,985,341	\$ 3,790,552	\$ 3,798,744	\$ 3,669,893	\$ 3,631,661	\$ 3,732,587	\$ 3,687,022
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.19%	23.80%	18.09%	-62.10%	5.60%	41.20%	81.81%	49.32%	71.50%	65.17%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.02%	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%
Tier 2 Public Employees Retirement System	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability (asset)	0.0816299%	0.0753447%	0.0762096%	0.0594097%	0.0544670%	0.0490969%	0.0406038%	0.0428754%	0.0350673%	0.0400407%
Proportionate share of the net pension liability (asset)	\$ 243,452	\$ 146,650	\$ 82,984	\$ (25,144)	\$ 7,834	\$ 11,042	\$ 17,390	\$ 3,780	\$ 3,912	\$ (87)
Covered-employee payroll	\$ 2,418,757	\$ 1,947,924	\$ 1,660,029	\$ 1,102,239	\$ 871,103	\$ 681,687	\$ 473,928	\$ 419,486	\$ 287,582	\$ 258,670
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.07%	7.53%	5.00%	-2.28%	0.90%	1.62%	3.67%	0.90%	1.36%	-0.03%
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.44%	89.58%	92.30%	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	100.20%

* The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Metropolitan Water District of Salt Lake & Sandy
Schedule of Contributions
Last 10 Fiscal Years

System	Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2016	\$ 687,003	\$ 687,003	\$ -	\$ 3,728,361	18.43%
	2017	684,517	684,517	-	3,714,902	18.43%
	2018	659,576	659,576	-	3,583,233	18.41%
	2019	687,682	687,682	-	3,735,921	18.41%
	2020	706,851	706,851	-	3,839,703	18.41%
	2021	719,264	719,264	-	3,906,912	18.41%
	2022	731,403	731,403	-	3,972,890	18.41%
	2023	733,772	733,772	-	4,096,085	17.91%
	2024	720,319	720,319	-	4,022,289	17.91%
	2025	592,302	592,302	-	3,504,918	16.90%
Tier 2 Public Employees System*	2016	\$ 39,707	\$ 39,707	\$ -	\$ 266,311	14.91%
	2017	51,473	51,473	-	345,227	14.91%
	2018	68,505	68,505	-	453,376	15.11%
	2019	82,295	82,295	-	529,566	15.54%
	2020	132,493	132,493	-	846,056	15.66%
	2021	147,717	147,717	-	934,920	15.80%
	2022	213,538	213,538	-	1,328,797	16.07%
	2023	282,687	282,687	-	1,765,689	16.01%
	2024	368,457	368,457	-	2,301,421	16.01%
	2025	385,380	385,380	-	2,537,063	15.19%
Tier 2 Public Employees DC Only System*	2016	\$ 3,146	\$ 3,146	\$ -	\$ 47,020	6.69%
	2017	2,301	2,301	-	34,396	6.69%
	2018	6,383	6,383	-	95,402	6.69%
	2019	5,980	5,980	-	89,386	6.69%
	2020	3,035	3,035	-	45,367	6.69%
	2021	6,271	6,271	-	93,737	6.69%
	2022	6,990	6,990	-	104,488	6.69%
	2023	9,802	9,802	-	158,357	6.19%
	2024	15,961	15,961	-	253,491	6.30%
	2025	22,808	22,808	-	439,459	5.19%

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

Metropolitan Water District of Salt Lake & Sandy
Notes to Required Supplementary Information
Year Ended June 30, 2025

Note 1 - Changes in Assumptions - Utah Retirement Systems

Assumptions for plan year 2025 and 2024 remain unchanged from 2023 plan year.

Assumptions for plan year 2023 include updates to the mortality improvement assumption, salary increase assumption, disability incidence assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

Assumptions for plan year 2022 remain unchanged from the 2021 plan year.

Amounts reported in plan year 2021 reflect the following assumption changes adopted from the January 1, 2021 valuation:

- The investment return assumption was decreased from 6.95% to 6.85%.

Amounts reported in plan year 2020 reflect the following assumption changes adopted from the January 1, 2020 valuation:

- The payroll growth assumption decreased from 3.00% to 2.90%.
- Other assumptions that were modified: retirement rates, termination rates, disability rates, rate of salary increase, and pre and post retirement mortality tables.

Assumptions for plan years 2019 and 2018 remain unchanged from the 2017 plan year.

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017 valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%.

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- Both the payroll growth and wage inflation assumption were decreased by 0.15%.

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**METROPOLITAN WATER DISTRICT
OF SALT LAKE & SANDY
COMPLIANCE REPORTS
Year Ended June 30, 2025**

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY

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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*

Board of Trustees
Metropolitan Water District of Salt Lake & Sandy

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 Metropolitan Water District of Salt Lake & Sandy (Metro), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Metro's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 6, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metro'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Metro'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 misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro'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 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 Metro's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metro's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
October 6, 2025



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Trustees
Metropolitan Water District of Salt Lake & Sandy

Report on Compliance

Opinion on Compliance

We have audited Metropolitan Water District of Salt Lake & Sandy's (Metro) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2025:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Cash Management
- Tax Levy Revenue Recognition
- Utah Retirement Systems

In our opinion, Metropolitan Water District of Salt Lake & Sandy complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion on Compliance

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*, issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Metro and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance. Our audit does not provide a legal determination of Metro's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Metro's compliance based on our audit. 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 GAAS, Government Auditing Standards, and the *State Compliance Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Metro's compliance with the requirements of the *State Compliance Audit Guide* as a whole

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State Compliance Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Metro's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Metro's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Metro's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in

internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over 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.

Squire & Company, PC

Orem, Utah
October 6, 2025