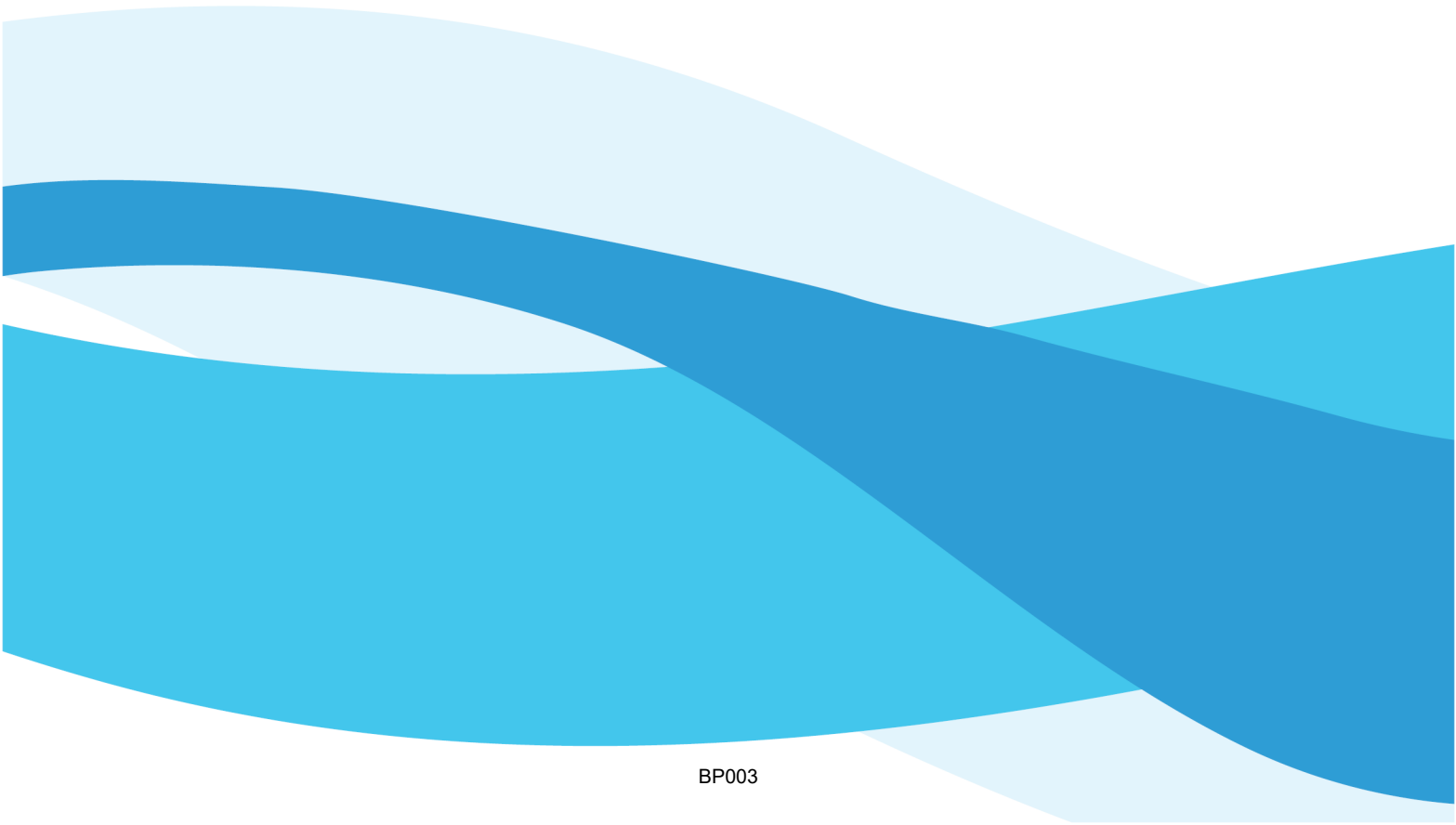


Tab 1

Finance Committee report





**Financial Statements and Supplemental Schedules As of and for the
Years Ended
June 30, 2026 and 2025**

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Independent Auditor's Report

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, 2026 and 2025, 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, 2026 and 2025, 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.

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 5, 2026, 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 5, 2026

Metropolitan Water District of Salt Lake & Sandy Management's Discussion and Analysis (Unaudited) June 30, 2026 and 2025

As management of the Metropolitan Water District of Salt Lake & Sandy ("Metro"), we offer the readers of Metro's financial statements this management discussion and analysis ("MD&A"). The MD&A provides a narrative overview and analysis of the financial statements of Metro for the fiscal years ended June 30, 2026 and 2025.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to Metro's financial statements. Metro's financial statements consist of two components: (1) enterprise fund financial statements, and (2) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the financial statements themselves.

Enterprise Fund 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.

The *enterprise fund financial statements* are designed to provide readers with a broad overview of Metro's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all Metro's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Metro is improving or deteriorating. The *statement of activities* presents information showing how Metro's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. Metro uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Metro implemented GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of these standards had an insignificant impact on the notes to the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*, such as information concerning Metro's proportional share of the unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems and a schedule of contributions in funding obligations to provide pension benefits to its employees.

Metropolitan Water District of Salt Lake & Sandy Management's Discussion and Analysis (Unaudited) June 30, 2026 and 2025

Financial Summary and Detailed Analysis

Statement of Net Position

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of Metro, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$296,544,179, at the close of the most recent fiscal year.

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

June 30,	2026	2025	2024
Assets			
Current and other assets	\$ 161,987,279	\$ 167,675,852	\$ 160,002,010
Capital assets	440,487,566	421,197,751	414,432,464
Total assets	602,474,845	588,873,603	574,434,474
Deferred outflows of resources	10,867,917	13,527,771	15,566,238
Total assets and deferred outflows of resources	\$ 613,342,762	\$ 602,401,374	\$ 590,000,712
Liabilities			
Current and other liabilities	\$ 37,772,499	\$ 31,549,105	\$ 23,520,092
Long-term liabilities	254,934,216	277,162,886	296,696,185
Total liabilities	292,706,715	308,711,991	320,216,277
Deferred inflows of resources	24,091,868	22,633,885	23,314,531
Total liabilities and deferred inflows of resources	316,798,583	331,345,876	343,530,808
Net position			
Net investment in capital assets	189,413,590	174,285,121	168,702,850
Restricted	54,824,119	52,791,933	60,089,221
Unrestricted	52,306,470	43,978,444	17,677,833
Total net position	\$ 296,544,179	\$ 271,055,498	\$ 246,469,904

Net Position

Metro has three classifications of net position: net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets**—The largest portion of Metro's net position, \$189,413,590, reflects its investment in capital assets (e.g., the water system, land, construction in process, administrative buildings and equipment, aqueduct rights and privileges, and investments in surface water resources), net of accumulated depreciation/amortization and less any related outstanding debt that was used to acquire those assets. Metro uses these capital assets to provide a variety of services to the community. Accordingly, these assets are not available for future spending. Although Metro's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- **Restricted**—A portion of Metro's net position, \$54,824,119, is resources that are subject to external restrictions on how they may be used. On June 30, 2026, Metro received notification that a direct grant from the Utah Department of Transportation had been awarded. The grant is restricted to the construction of the Little Cottonwood Creek raw water pipeline in the amount of \$4,000,000. The grant was received in full during July 2026. The remaining components of restricted net position are for future debt service requirements, future costs for operations and maintenance per the master bond resolution requirement, and future replacements Metro is obligated to perform.

Metropolitan Water District of Salt Lake & Sandy Management's Discussion and Analysis (Unaudited) June 30, 2026 and 2025

- Unrestricted—The remaining net position, \$52,306,470, is unrestricted. This balance is net of Metro's proportionate share of net pension liabilities and related deferred outflows and inflows of resources of the defined benefit pension plans administered by Utah Retirement Systems.

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 \$296,544,179 (net position). Of this amount, \$52,306,470 (unrestricted) may be used to meet Metro's ongoing obligations.
- Metro's net capital assets increased by \$19,289,815 (See Note 4).
- Metro's long-term liabilities decreased by \$22,228,670, which was primarily the result of Metro paying off bond principal and the amortization of bond reoffering premiums. As of June 30, 2026, Metro received the remaining bond proceeds that previously had been due from the 2024 bond offerings in the amount of \$17,493,000.

Statement of Revenues, Expenses, and Changes in Net Position

Metro's primary sources of revenue are 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.

Metro's overall net position increased by \$25,488,681 from the prior fiscal year. The reasons for this overall increase are discussed in the following section.

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

Year ended June 30,	2026	2025	2024
Operating revenues	\$ 27,318,587	\$ 25,554,101	\$ 24,655,068
Operating expenses	(41,141,460)	(39,311,272)	(36,552,272)
Operating loss	(13,822,873)	(13,757,171)	(11,897,204)
Other non-operating revenues	57,199,020	57,011,072	31,225,934
Other non-operating expenses	(17,887,466)	(18,668,307)	(6,167,582)
Total other non-operating revenues (expenses), net	39,311,554	38,342,765	25,058,352
Change in net position	25,488,681	24,585,594	13,161,148
Net position - beginning of year	271,055,498	246,469,904	233,308,756
Net position - end of year	\$ 296,544,179	\$ 271,055,498	\$ 246,469,904

- Metro's operating revenues increased by \$1,764,486, or 6.9%, largely due to a 5.0% increase in water rates to Metro's two member cities.
- Non-operating property tax revenues decreased by \$1,017,626, or (3.7%) in 2026 as a result of a combination of an increase in the taxable value of property and a decrease in the overall tax rate. Metro contributed \$2,191,226 of property taxes to other governments during fiscal year 2026 to support community development initiatives.

Metropolitan Water District of Salt Lake & Sandy Management's Discussion and Analysis (Unaudited) June 30, 2026 and 2025

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

Year ended June 30,	2026	2025	2024
Operating revenues			
Water sales - member entities	\$ 25,718,025	\$ 24,493,357	\$ 23,779,958
Water sales - nonmember entities	1,600,562	1,060,744	875,110
Total operating revenues	27,318,587	25,554,101	24,655,068
Other non-operating revenues			
Property tax revenues	26,222,198	27,239,824	13,395,297
Special assessment revenues	12,025,362	11,990,374	11,875,272
Interest income	4,328,865	5,334,064	3,817,553
Reimbursement of project costs	9,423,229	10,983,587	-
Unrealized (loss) gain on investments	(94,563)	147,881	358,634
Grant funding	4,908,779	866,385	1,579,536
Gain on disposal of capital assets	16,610	30,165	29,151
Other revenues	368,540	418,792	170,491
Total other non-operating revenues	57,199,020	57,011,072	31,225,934
Total revenues	\$ 84,517,607	\$ 82,565,173	\$ 55,881,002

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

Year ended June 30,	2026	2025	2024
Operating expenses			
Cost of sales and services	\$ 19,638,635	\$ 17,929,285	\$ 16,795,870
General and administrative	10,225,894	10,141,932	8,631,525
Depreciation	11,276,931	11,240,055	11,124,877
Total operating expenses	41,141,460	39,311,272	36,552,272
Other non-operating expenses			
Interest expense	6,273,011	5,574,445	5,325,180
Project costs incurred on behalf of member city	9,423,229	10,983,587	-
Contributions to other governments	2,191,226	2,110,275	842,402
Total other non-operating expenses	17,887,466	18,668,307	6,167,582
Total expenses	\$ 59,028,926	\$ 57,979,579	\$ 42,719,854

Significant Capital Asset and Long-term Financing Activity

Capital Assets

Metro's capital assets (net of accumulated depreciation) as of June 30, 2026 and 2025, amounted to \$440,487,566 and \$421,197,751, 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. The total increase in capital assets for the current year was \$19,289,815 or 4.6%. Additions to capital assets during the current fiscal year included construction in progress, buildings and improvements, vehicles, machinery, and equipment. Additional information on Metro's capital assets can be found in Note 4 of this report.

Metropolitan Water District of Salt Lake & Sandy Management's Discussion and Analysis (Unaudited) June 30, 2026 and 2025

Long-Term Financing

Metro's bonds payable as of June 30, 2026 and 2025, amounted to \$200,831,000 and \$216,380,000, respectively, a decrease of \$15,549,000 during 2026. 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, 2026 and 2025, unamortized bond premiums, net of discounts, amounted to \$13,214,530 and \$14,723,795, respectively, a change of \$1,509,265 during fiscal year 2026. Metro did not issue any new general obligation bonds during the current fiscal year.

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. This obligation is recognized in the financial statements as Water Rights Payable. As of June 30, 2026 and 2025, Metro's obligation for the Water Rights Payable amounted to \$59,424,000 and \$62,395,200, respectively, a change of \$2,971,200 during the fiscal year ended June 30, 2026. Additional information on Metro's long-term financing can be found in Note 5 of this report.

Currently Known Facts, Decisions, or Conditions

Metro is aware of the following items that will impact future finances and were considered in developing the following fiscal year budget.

- *Water Rates* - Due to escalating costs and aging infrastructure, Metro plans to increase revenue through an increase of water rates. Future water rate increases for member cities are anticipated to be 6.0% for both fiscal years 2027 and 2028.
- *Property Taxes* - Increases to the certified tax rates require approval by the city councils. Plans for rate increases have been communicated to the member cities and are reflected in future cash flow projections.
- *Grant Opportunities* - Metro has applied for \$17,000,000 in various state and federal grant funds to help finance future capital projects, and anticipates monitoring and applying for other funding opportunities as they arise.
- *Operations and maintenance* - Expenses are budgeted at an inflationary index of 3.0% per year.
- *Capital expenditures* - Metro uses asset management techniques that evaluate the condition, criticality, and consequence of the asset. Major projects include the Cottonwood Connections project, which will be completed by the end of fiscal year 2027, and the Little Cottonwood Water Treatment Plant ("LCWTP") rebuild. Design work for the LCWTP plant rebuild has commenced.
- *Long-term debt* - Reviewed on an ongoing basis in an effort to capitalize on any opportunities. As of June 30, 2026, Metro's bond ratings are AA+ and AA+ by S&P and Fitch, respectively. New bond issuances of approximately \$46M-\$62M are expected in fiscal year 2027, dependent on whether Metro is successful in obtaining grant funds.
- The anticipated revenue increases described above 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, 2026 and 2025

ASSETS:	2026	2025
Current assets		
Cash and cash equivalents (Note 2)	\$ 34,241,364	\$ 34,906,520
Accounts receivable	6,317,642	2,362,213
Property taxes receivable	23,116,260	22,474,657
Leases receivable, current	51,191	48,245
Other receivables	6,285,328	2,844,888
Other current assets	564,240	495,478
Bond proceeds receivable	-	17,493,000
Total current assets	<u>70,576,025</u>	<u>80,625,001</u>
Restricted cash and cash equivalents (Note 2)	50,643,561	52,791,933
Leases receivable, net of current portion (Note 9)	239,418	290,609
Investments	40,347,717	33,968,309
Net pension asset (Note 6)	180,558	-
Capital assets, net (Note 4)	<u>440,487,566</u>	<u>421,197,751</u>
Total assets	<u>602,474,845</u>	<u>588,873,603</u>
Deferred outflows of resources		
Deferred outflows relating to pensions (Note 6)	1,283,900	1,955,311
Deferred charge on bond refundings	9,584,017	11,572,460
Total assets and deferred outflows of resources	<u>\$ 613,342,762</u>	<u>\$ 602,401,374</u>
LIABILITIES AND NET POSITION:		
Current liabilities		
Accounts payable and accrued expenses	\$ 15,080,490	\$ 9,726,056
Accrued interest payable	3,029,316	3,188,557
Compensated absences, current	310,493	114,292
Water rights payable, current	2,971,200	2,971,200
Bonds payable, current	<u>16,381,000</u>	<u>15,549,000</u>
Total current liabilities	37,772,499	31,549,105
Bonds payable, net of current portion (Note 5)	184,450,000	200,831,000
Unamortized bond premium, net of discounts	13,214,530	14,723,795
Water rights payable, net of current portion (Note 5)	56,452,800	59,424,000
Compensated absences, net of current portion (Note 5)	604,515	702,078
Net pension liability (Note 6)	<u>212,371</u>	<u>1,482,013</u>
Total liabilities	292,706,715	308,711,991
Deferred inflows of resources		
Property taxes levied for future year	22,715,443	22,166,935
Deferred inflows relating to leases	290,609	338,854
Deferred inflows relating to deferred charges on bond refundings	-	124,136
Deferred inflows relating to pensions (Note 6)	<u>1,085,816</u>	<u>3,960</u>
Total liabilities and deferred inflows of resources	316,798,583	331,345,876
Net position		
Net investment in capital assets	189,413,590	174,285,121
Restricted (Note 3)	54,824,119	52,791,933
Unrestricted (Note 3)	<u>52,306,470</u>	<u>43,978,444</u>
Total net position	296,544,179	271,055,498
Total liabilities and net position	<u>\$ 613,342,762</u>	<u>\$ 602,401,374</u>

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, 2026 and 2025

	2026	2025
OPERATING REVENUES:		
Water sales - member entities	\$ 25,718,025	\$ 24,493,357
Water sales - nonmember entities	1,600,562	1,060,744
Total operating revenues	27,318,587	25,554,101
OPERATING EXPENSES:		
Cost of sales and services	19,638,635	17,929,285
General and administrative	10,225,894	10,141,932
Depreciation	11,276,931	11,240,055
Total operating expenses	41,141,460	39,311,272
Operating loss	(13,822,873)	(13,757,171)
OTHER NON-OPERATING REVENUES (EXPENSES):		
Property tax revenues	26,222,198	27,239,824
Special assessment revenues	12,025,362	11,990,374
Interest income	4,328,865	5,334,064
Interest expense	(6,273,011)	(5,574,445)
Unrealized (loss) gain on investments	(94,563)	147,881
Reimbursement of project costs	9,423,229	10,983,587
Project costs incurred on behalf of member city	(9,423,229)	(10,983,587)
Grant funding	4,908,779	866,385
Gain on disposal of capital assets	16,610	30,165
Contributions to other governments	(2,191,226)	(2,110,275)
Other revenues	368,540	418,792
Total other non-operating revenues (expenses), net	39,311,554	38,342,765
Change in net position	25,488,681	24,585,594
Net position, beginning of year	271,055,498	246,469,904
Net position, end of year	\$ 296,544,179	\$ 271,055,498

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, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Receipts from water sales - member entities	\$ 25,762,596	\$ 25,208,252
Receipts from water sales - nonmember entities	1,600,562	1,060,744
Payments to vendors	(3,495,107)	(3,386,387)
Payments for general and administrative expenses	(6,583,318)	(5,771,809)
Payments to employees	(7,073,721)	(6,431,120)
Employee benefits paid	(4,559,899)	(4,454,377)
Administrative payments made to Provo River Water Users Association	(6,848,711)	(6,710,685)
Net cash flows from operating activities	(1,197,598)	(485,382)
Cash flows from non-capital financing activities:		
Property tax revenue	23,937,877	24,994,807
Other revenue	368,540	418,792
Net cash flows from non-capital financing activities	24,306,417	25,413,599
Cash flows from capital and related financing activities:		
Special assessment revenue	12,025,362	11,990,374
Payments made on water rights payable	(2,971,200)	(2,971,200)
Principal paid on revenue bonds	(15,549,000)	(11,865,000)
Proceeds from revenue bonds	17,493,000	-
Receipts from grant funding	908,779	866,385
Proceeds from sales of capital assets	16,610	30,165
Acquisition and construction of capital assets	(29,623,582)	(17,395,443)
Interest paid	(6,077,210)	(6,027,679)
Net cash flows from capital and related financing activities	(23,777,241)	(25,372,398)
Cash flows from investing activities:		
Purchase of investments	(6,473,971)	(3,501,376)
Interest received from investments	4,328,865	5,334,064
Net cash flows from investing activities	(2,145,106)	1,832,688
Change in cash, restricted cash, and cash equivalents	(2,813,528)	1,388,507
Cash, restricted cash, and cash equivalents, beginning of year	87,698,453	86,309,946
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 84,884,925</u>	<u>\$ 87,698,453</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, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Reconciliation of operating loss to net cash flows from operating activities:		
Operating loss	\$ (13,822,873)	\$ (13,757,171)
Depreciation	11,276,931	11,240,055
Net pension asset, liability, and related deferred outflows and inflows	303,067	409,935
Decrease in accounts receivable	44,571	714,895
Increase in other receivables	(3,440,440)	(2,665,534)
(Increase) decrease in other current assets	(68,762)	2,443
Increase in accounts payable	4,411,270	3,435,616
Increase in accrued expenses and compensated absences	98,638	134,379
Net cash flows from operating activities	<u>\$ (1,197,598)</u>	<u>\$ (485,382)</u>
Represented on the statements of net position as:		
Cash and cash equivalents	\$ 34,241,364	\$ 34,906,520
Restricted cash and cash equivalents	50,643,561	52,791,933
Cash, restricted cash, and cash equivalents, end of year	<u>\$ 84,884,925</u>	<u>\$ 87,698,453</u>
Noncash investing, capital, and financing activities:		
Unrealized (loss) gain on investments	<u>\$ (94,563)</u>	<u>\$ 147,881</u>

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to conform to the current year presentation. The reclassifications had no effect on previously reported total net position, changes in net position, or cash flows.

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 and Other Receivables

Accounts receivable generally comprise receivables on water sales and special assessment revenues that are expected to be paid by member cities and other surplus customers. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any uncollectible amounts as most payments are from governmental entities. Other receivables primarily consist of amounts due from governmental agencies and other parties under various agreements, including grant-related receivables. Additional information regarding significant grant receivables is provided in Note 10.

Other Current Assets

Other current assets comprise prepaid expenses and inventory. Prepaid expenses represent payments made in advance for goods or services to be received in future periods and are recognized as expenses when the related benefits are consumed. Inventories, consisting of chemicals for the purification of water, and fuels for fleet vehicles, 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 its 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 are 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

Compensated absences liability is 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.

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. The liability recorded for sick leave is based on 5-year historical averages of the sick leave attributable to current employees eligible to retire and those employees projected to retire in the future as well as hours used over earned by all employees. Accrued vacation and sick leave are recorded in the financial statements as a liability for compensated absences, and include salary-related benefits, where applicable.

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, 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 other non-operating revenues are recognized when earned and/or 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 and expenses include revenues and expenses other than those classified as non-operating revenues and expenses. Metro's operating revenues and expenses principally result from providing water and related services.
- *Other Non-operating revenues* - Other non-operating revenues and expenses include property tax revenues, special assessment revenues, investment income and expenses, interest expense, grant funding, reimbursements of project costs, project costs incurred on behalf of member cities, contributions to other governments, and gains and losses on the disposal of capital assets.

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.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Contributions to Other Governments

Contributions made to other governments represent payments made to other governmental entities for community development and other governmental purposes. 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, 2026 and 2025, contributions to other governments totaled \$2,191,226 and \$2,110,275, 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 of \$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.

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, 2026 and 2025:

- Corporate bonds of \$25,835,198 and \$22,992,242 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2026 and 2025, respectively.
- U.S. treasury notes of \$5,878,072 and \$0 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2026 and 2025, respectively.
- U.S. obligations of \$6,433,936 and \$7,237,870 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2026 and 2025, respectively.
- Government agencies of \$2,200,511 and \$3,738,197 are valued using matrix pricing models and discounted cash flows (Level 2) as of June 30, 2026 and 2025, 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, 2026 and 2025.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Recent Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement 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 this Statement is for fiscal years beginning after June 15, 2025. Metro adopted this standard beginning July 1, 2025, with no material impact.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires governments to separately disclose certain capital assets in the notes to the financial statements, including intangible right-of-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 this Statement is for fiscal years beginning after June 15, 2025. Metro adopted this standard beginning July 1, 2025, with no material impact.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the accounting and financial reporting requirements for subsequent events, including the period through which subsequent events should be evaluated, recognition of certain subsequent events, and disclosure requirements for nonrecognized subsequent events. This Statement also requires disclosure of the date through which subsequent events have been evaluated. The effective date of this Statement is for fiscal years beginning after June 15, 2026. Metro early adopted this standard beginning July 1, 2025, with no material impact.

Note 2 - Cash, Cash Equivalents, and Investments

Unrestricted cash and cash equivalents consisted of the following as of June 30, 2026 and 2025:

	2026	2025
Unrestricted:		
Insurance/contingency reserve	\$ 2,000,000	\$ 2,000,000
Capital projects reserve	10,000,000	10,000,000
Operations and maintenance	22,241,364	22,906,520
Total unrestricted cash and cash equivalents	<u>\$ 34,241,364</u>	<u>\$ 34,906,520</u>

Restricted cash and cash equivalents consisted of the following as of June 30, 2026 and 2025:

	2026	2025
Restricted:		
Bond accounts	\$ 41,866,800	\$ 44,125,918
Operations and maintenance reserve	8,014,400	7,903,654
Renewal and replacement	650,000	650,000
150th South pipeline agreement	41,623	41,623
Jordan Valley Water Treatment Plant Operations and Maintenance agreement	20,000	20,000
Jordan Aqueduct repayment contract	50,738	50,738
Total restricted cash and cash equivalents	<u>50,643,561</u>	<u>52,791,933</u>
Total cash and cash equivalents	<u>\$ 84,884,925</u>	<u>\$ 87,698,453</u>

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Deposits

Deposits and investments for local governments are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, ("Act")) and the 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, 2026 and 2025, Metro's deposits had bank balances of \$5,304,424 and \$11,260,447, 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, 2026 and 2025, Metro had funds of \$68,983,808 and \$51,894,750, 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, 2026 and 2025, Metro had \$10,739,767 and \$24,585,115, 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.

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.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Metro's investments at June 30, 2026 are presented below:

Investment type:	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Corporate bonds	\$ 25,835,198	\$ 10,023,093	\$ 15,812,105	\$ -
U.S. treasury	5,878,072	-	5,878,072	-
U.S. obligations	6,433,936	1,493,642	4,940,294	-
Government agencies	2,200,511	-	2,200,511	-
Total	<u>\$ 40,347,717</u>	<u>\$ 11,516,735</u>	<u>\$ 28,830,982</u>	<u>\$ -</u>

Metro had the following investments and quality ratings (S&P ratings) at June 30, 2026:

Investment type:	Fair value	Quality ratings
Corporate bonds	\$ 25,835,198	AA+ to BBB+
U.S. treasury	5,878,072	AA+
U.S. obligations	6,433,936	AA+
Government agencies	2,200,511	AA+
Total	<u>\$ 40,347,717</u>	

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	<u>\$ 33,968,309</u>	<u>\$ 1,958,046</u>	<u>\$ 32,010,263</u>	<u>\$ -</u>

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	<u>\$ 33,968,309</u>	

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

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.

Net Pension Asset - The net pension asset represents Metro's proportionate share of pension plan fiduciary net position in excess of the total pension liability. The related net position is reported as restricted because those resources are legally restricted to the payment of pension benefits.

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, 2026 and 2025, the restricted component of net position is as follows:

	2026	2025
Future debt service	\$ 41,866,800	\$ 44,125,918
Operations and maintenance (master bond resolution requirement)	8,014,400	7,903,654
Construction of Little Cottonwood Creek raw water pipeline	4,000,000	-
Renewal and replacement	650,000	650,000
Net pension asset	180,558	-
150th South pipeline agreement	41,623	41,623
Jordan Valley Water Treatment Plant Operations and Maintenance agreement	20,000	20,000
Jordan Aqueduct repayment contract	50,738	50,738
Total	<u>\$ 54,824,119</u>	<u>\$ 52,791,933</u>

As of June 30, 2026 and 2025, the unrestricted component of net position is as follows:

	2026	2025
Committed:		
Insurance/contingency reserve	\$ 2,000,000	\$ 2,000,000
Capital projects reserve	10,000,000	10,000,000
Uncommitted	40,306,470	31,978,444
Total	<u>\$ 52,306,470</u>	<u>\$ 43,978,444</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, 2026 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	22,783,968	-	-	22,783,968
Construction in progress**	29,948,457	30,590,119	(11,492,680)	49,045,896
Total capital assets, not being depreciated	206,109,497	30,590,119	(11,492,680)	225,206,936
Capital assets, being depreciated:				
Buildings and improvements	292,631,515	11,098,216	-	303,729,731
Machinery and equipment	21,469,419	371,092	-	21,840,511
Transportation equipment	1,597,179	-	-	1,597,179
Furniture and fixtures	60,173	-	-	60,173
Aqueduct and appurtenances***	112,190,997	-	-	112,190,997
Total capital assets, being depreciated	427,949,283	11,469,308	-	439,418,591
Less accumulated depreciation/amortization for:				
Buildings and improvements	(147,090,629)	(7,960,897)	-	(155,051,526)
Machinery and equipment	(12,956,767)	(886,994)	-	(13,843,761)
Transportation equipment	(910,940)	(150,071)	-	(1,061,011)
Furniture and fixtures	(60,173)	-	-	(60,173)
Aqueduct and appurtenances	(51,842,520)	(2,278,970)	-	(54,121,490)
Total accumulated depreciation/amortization	(212,861,029)	(11,276,932)	-	(224,137,961)
Total capital assets being depreciated, net	215,088,254	192,376	-	215,280,630
Total capital assets, net	\$ 421,197,751	\$ 30,782,495	\$ (11,492,680)	\$ 440,487,566

* 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"), Jordan Aqueduct System, and LCWTP Rebuild projects. Costs incurred and capitalized to CIP during the year ended June 30, 2026 for each project were \$22,995,433, \$1,644,317, and \$1,485,017, respectively. Costs removed from CIP and capitalized to capital assets were primarily related to the Managed Aquifer Recharge ("MAR") project in the amount of \$10,017,513.

*** 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, 2026 and 2025, Metro has recognized pass-through funds as non-operating revenue and expense in the amount of \$9,423,229 and \$10,983,587, respectively.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

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 right 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	189,039,925	17,915,122	(845,550)	206,109,497
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	427,073,007	935,770	(59,494)	427,949,283
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	(201,680,468)	(11,240,055)	59,494	(212,861,029)
Total capital assets being depreciated, net	225,392,539	(10,304,285)	-	215,088,254
Total capital assets, net	\$ 414,432,464	\$ 7,610,837	\$ (845,550)	\$ 421,197,751

* 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 the SLAR-CC, MAR, 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.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Note 5 - Long-term Liabilities

As of June 30, 2026 and 2025, Metro's long-term debt consisted of the following:

	2026	2025
2015A Series water revenue refunding bonds, interest at 2.0% to 4.0%, maturing in annual installments through fiscal year 2034.	\$ 3,345,000	\$ 3,650,000
2016A Series water revenue refunding bonds, interest at 2.0% to 5.0%, maturing in fiscal year 2031 with interest-only payments through 2025.	47,250,000	55,275,000
2020A Series taxable water revenue refunding bonds, interest at 0.3% to 2.3%, maturing in annual installments through fiscal year 2037.	43,210,000	46,875,000
2021A Series water revenue refunding bonds, interest at 4.0% to 5.0%, 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 1.0% to 2.0%, maturing in fiscal year 2030 with interest-only payments through 2025.	10,015,000	12,240,000
2024A Series taxable water revenue bonds, interest at 1.0%, maturing in annual installments through fiscal year 2050.	21,535,000	22,000,000
2024B Series water revenue bonds, interest at 3.0% to 5.5%, maturing in annual installments through fiscal year 2050.	32,136,000	33,000,000
Total debt	200,831,000	216,380,000
Less bonds payable, current	(16,381,000)	(15,549,000)
Bonds payable, net of current portion	\$ 184,450,000	\$ 200,831,000

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

Year Ending June 30,	Principal	Interest	Total
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	15,801,000	4,124,401	19,925,401
2032-2036	69,713,000	12,786,517	82,499,517
2037-2041	25,227,000	4,337,998	29,564,998
2042-2046	13,936,000	1,530,523	15,466,523
2047-2051	7,770,000	195,200	7,965,200
Total	\$ 200,831,000	\$ 43,513,493	\$ 244,344,493

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

Changes to Metro's long-term liabilities as of June 30, 2026 are as follows:

	Balance at July 1, 2025	Increases	Decreases	Balance at June 30, 2026	Due within One Year
Bonds payable	\$ 216,380,000	\$ -	\$ (15,549,000)	\$ 200,831,000	\$ 16,381,000
Unamortized bond premium	14,723,795	-	(1,509,265)	13,214,530	-
Water rights payable	62,395,200	-	(2,971,200)	59,424,000	2,971,200
Compensated absences*	816,370	98,638	-	915,008	310,493
Net pension liability	1,482,013	-	(1,269,642)	212,371	-
Total	<u>\$ 295,797,378</u>	<u>\$ 98,638</u>	<u>\$ (21,299,107)</u>	<u>\$ 274,596,909</u>	<u>\$ 19,662,693</u>

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>

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

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. Bond proceeds receivable as of June 30, 2026 and 2025 was \$0 and \$17,493,000, respectively, 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

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Notes to Financial Statements

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, which is reduced by 4,000 acre feet per year starting FY 2045. Metro's repayment commitment as of June 30, 2026 and 2025 is \$59,424,000 and \$62,395,200, 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
2027	\$ 2,971,200
2028	2,971,200
2029	2,971,200
2030	2,971,200
2031	2,971,200
2032-2036	14,856,000
2037-2041	14,856,000
2042-2046	14,856,000
Total	\$ 59,424,000

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.

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

Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 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.

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, 2026 are as follows:

Noncontributory System - 15 Local Government	Tier 1 - DB System	Tier 2 - DB Hybrid System	Tier 2 - 401(k) Option
Employee	-	0.81%	-
Employer	15.97%	14.19%	4.19%
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.

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Contribution Summary

For the fiscal year ended June 30, 2026, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 546,334	\$ -
Tier 2 Public Employees System	437,551	24,976
Tier 2 DC Only System	24,489	15
Total contributions	<u>\$ 1,008,374</u>	<u>\$ 24,991</u>

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, 2026, Metro reported a net pension asset of \$180,558 and a net pension liability of \$212,371.

Measurement Date: December 31, 2025

	Net Pension Asset	Net Pension Liability
Noncontributory System	\$ 180,558	\$ -
Tier 2 Public Employees System	-	212,371
	<u>\$ 180,558</u>	<u>\$ 212,371</u>

	Proportionate Share December 31, 2025	Proportionate Share December 31, 2024	Change (Decrease)
Noncontributory System	0.3689876%	0.3905757%	-0.0215881%
Tier 2 Public Employees System	0.0861376%	0.0816299%	0.0045077%

The net pension asset and liability was measured as of December 31, 2025, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2025, 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, 2026, pension expense was \$1,311,018.

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At June 30, 2026, 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	\$ 643,431	\$ 1,057
Changes in assumptions	75,634	-
Net difference between projected and actual earnings on pension plan investments	-	1,076,983
Changes in proportion and differences between contributions and proportionate share of contributions	46,269	7,776
Contributions subsequent to the measurement date	518,566	-
Total	<u>\$ 1,283,900</u>	<u>\$ 1,085,816</u>

Deferred outflows of resources related to pensions of \$518,566 results from contributions made by Metro prior to our fiscal year end, but subsequent to the measurement date of December 31, 2025.

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
2027	\$ 616,453
2028	(403,692)
2029	(350,321)
2030	(323,705)
2031	30,583
Thereafter	110,200

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

For the year ended June 30, 2026, pension expense was \$1,016,075.

At June 30, 2026, 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	\$ 495,734	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	999,916
Changes in proportion and differences between contributions and proportionate share of contributions	561	5,777
Contributions subsequent to the measurement date	278,277	-
Total	<u>\$ 774,572</u>	<u>\$ 1,005,693</u>

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Deferred outflows of resources related to pensions of \$278,277 results from contributions made by Metro prior to our fiscal year end, but subsequent to the measurement date of December 31, 2025.

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:

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

For the year ended June 30, 2026, pension expense was \$294,943.

At June 30, 2026, 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	\$ 147,697	\$ 1,057
Changes in assumptions	75,634	-
Net difference between projected and actual earnings on pension plan investments	-	77,067
Changes in proportion and differences between contributions and proportionate share of contributions	45,708	2,000
Contributions subsequent to the measurement date	240,289	-
Total	<u>\$ 509,328</u>	<u>\$ 80,124</u>

Deferred outflows of resources related to pensions of \$240,289 results from contributions made by Metro prior to our fiscal year end, but subsequent to the measurement date of December 31, 2025.

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
2027	\$ 29,003
2028	3,067
2029	7,781
2030	8,282
2031	30,583
Thereafter	110,200

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Actuarial Assumptions

The total pension liability in the December 31, 2025 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.

The actuarial assumptions used in the January 1, 2025 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%	6.68%	2.34%
Debt securities	20.00%	2.06%	0.41%
Real assets	18.00%	5.26%	0.95%
Private equity	12.00%	9.80%	1.18%
Absolute return	15.00%	3.96%	0.59%
Cash and cash equivalents	-	0.49%	-
Totals	100.00%		5.47%
Inflation			2.50%
Expected Arithmetic Nominal Return			7.97%

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%. 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-

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term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85%, 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%) or 1.00 percentage point higher (7.85%) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 3,717,793	\$ (180,558)	\$ (3,494,459)
Tier 2 Public Employees System	835,226	212,371	(273,653)
Total	<u>\$ 4,553,019</u>	<u>\$ 31,813</u>	<u>\$ (3,768,112)</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 its 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 \$24,500 (\$32,500 for employees aged 50 or older) for 2026. 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, 2026 and 2025, 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 Metro contributions are fully vested at all times.

Contributions made by employees to the Plan were \$303,706, \$263,013, and \$339,544 for the fiscal years ended June 30, 2026, 2025 and 2024, respectively. Employee contributions to the Roth 401(k) were \$600, \$-, and \$- for fiscal years ended June 30, 2026, 2025, and 2024, respectively. Contributions made by Metro to the Plan were \$227,349, \$202,130, and \$195,403 for the fiscal years ended June 30, 2026, 2025 and 2024, respectively. No contributions were made by Metro to the Roth 401(k) plan during fiscal years ended June 30, 2026, 2025, and 2024.

457(b) and Roth IRA Plans

Metro offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) and 408. The 457(b) and Roth IRA, administered by URS and available to all Metro 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.

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Metro contributions to the 457(b), Roth 457(b) and Roth IRA was \$0 for each of the fiscal years ended June 30, 2026, 2025 and 2024. Employee contributions were \$111,506, \$101,432 and \$102,137 for the 457(b) Plan, \$803, \$0 and \$0 for the Roth 457(b), and \$81,602, \$98,777, and \$79,582 for the Roth IRA plan for the fiscal years ended June 30, 2026, 2025 and 2024, respectively.

The 401(k), 457(b), Roth 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 collectible 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.

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.

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, 2026 and 2025, payments made by Metro for the general assessment were \$3,038,671 (\$49.09 per share) and \$2,932,203 (\$47.37 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.

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Those payments are expected to be as follows:

Year Ending June 30,	Assessment Payments
2027	\$ 1,244,698
2028	1,244,698
2029	1,244,698
2030	1,244,698
2031	1,244,698
2032-2036	4,978,792
Total	<u>\$ 11,202,282</u>

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 \$480,665 and \$578,426 for the years ended June 30, 2026 and 2025, respectively.

Central Utah Project Municipal and Industrial (M&I) System Petition

Metro 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. Metro payments for M&I System operation, maintenance, repair, replacement and reserve costs to CUWCD for the years ended June 30, 2026 and 2025 were \$1,732,500 (\$75.00 per acre foot) and \$1,617,000 (\$70.00 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 \$1,774,740 and \$940,475 for the years ended June 30, 2026 and 2025, 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 \$1,322,380 and \$608,364 for the years ended June 30, 2026 and 2025, respectively.

150th South Pipeline

Metro is entitled to 50% of the 150th South Pipeline capacity. Pursuant to the 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 \$1,801 and \$50,325 for the years ended June 30, 2026 and 2025, 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 \$142,282 and \$54,292 for the years ended June 30, 2026 and 2025, respectively.

Metropolitan Water District of Salt Lake & Sandy

Notes to Financial Statements

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
2027	\$ 969,854
2028	1,009,443
2029	1,046,569
2030	1,080,744
2031	1,108,490
Total	<u>\$ 5,215,100</u>

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
2027	\$ 11,232,214
2028	11,232,214
2029	11,232,214
2030	11,232,214
2031	11,232,214
2032-2036	50,544,963
Total	<u>\$ 106,706,033</u>

Major Customers

Metro has two major customers that make up the majority of Metro's water sales for the years ended June 30, 2026 and 2025, respectively. The percentages of water sales are as follows:

	2026	2025
Salt Lake City	67.78%	69.01%
Sandy City	26.36%	26.84%
Total	<u>94.14%</u>	<u>95.85%</u>

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

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.

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, 2026 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 \$65,326 and \$63,342, respectively, in income from these leases and \$2,730 and \$2,639, respectively, in interest income for the years ended June 30, 2026 and 2025, respectively.

Note 10 - UDOT Direct Award Grant

During fiscal year 2026, Metro was awarded a \$4,000,000 direct grant from the Utah Department of Transportation ("UDOT"), funded through a legislative appropriation under Utah Code § 72-2-302(4)(b). The grant is restricted to the construction of the Little Cottonwood Creek raw water pipeline ("RWLCC"), including related intake, metering vault, and Managed Aquifer Recharge ("MAR") connection infrastructure. The grant agreement was fully executed by both parties on June 30, 2026.

Metro determined this award to be a government-mandated nonexchange transaction under GASB Statement No. 33. As all eligibility requirements were satisfied upon execution of the grant agreement, Metro recognized the full \$4,000,000 as capital grant revenue, and is included under the title of Grant funding in the statements of revenues, expenses, and changes in net position during the fiscal year ended June 30, 2026, consistent with GASB Statement No. 103. Subsequent to the fiscal year end, cash in the amount of \$4,000,000 was received in July 2026.

Amounts received under this grant are restricted for capital purposes and are reported as restricted net position until expended on the RWLCC project. Metro is required to expend the funds by December 31, 2029, and to submit interim and final performance reports to UDOT. Under Utah Code § 63G-6b-201(4)(e), UDOT may require repayment of any portion of the grant found to be misapplied and not corrected within 30 days of discovery. As of the report date, Metro is not aware of any instances of noncompliance that would give rise to a claim for repayment.

Note 11 - Subsequent Events

Metro evaluated all events or transactions that occurred after June 30, 2026 through October 5, 2026, 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	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of the net pension liability (asset)	0.3689876%	0.3905757%	0.4086728%	0.4431258%	0.4321594%	0.4138208%	0.4152822%	0.4077037%	0.4088446%	0.4156324%
Proportionate share of the net pension liability (asset)	\$ (180,558)	\$ 1,238,561	\$ 947,943	\$ 758,963	\$ (2,475,023)	\$ 212,266	\$ 1,565,144	\$ 3,002,217	\$ 1,791,271	\$ 2,668,869
Covered-employee payroll	\$ 3,401,413	\$ 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
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(5.31)%	33.19%	23.80%	18.09%	(62.10)%	5.60%	41.20%	81.81%	49.32%	71.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.58%	96.02%	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%

Tier 2 Public Employees Retirement System	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Proportion of the net pension liability (asset)	0.0861376%	0.0816299%	0.0753447%	0.0762096%	0.0594097%	0.0544670%	0.0490969%	0.0406038%	0.0428754%	0.0350673%
Proportionate share of the net pension liability (asset)	\$ 212,371	\$ 243,452	\$ 146,650	\$ 82,984	\$ (25,144)	\$ 7,834	\$ 11,042	\$ 17,390	\$ 3,780	\$ 3,912
Covered-employee payroll	\$ 2,781,370	\$ 2,418,757	\$ 1,947,924	\$ 1,660,029	\$ 1,102,239	\$ 871,103	\$ 681,687	\$ 473,928	\$ 419,486	\$ 287,582
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.64%	10.07%	7.53%	5.00%	(2.28)%	0.90%	1.62%	3.67%	0.90%	1.36%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.60%	87.44%	89.58%	92.30%	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%

** 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	Contributi ons as a Percentage of Covered Employee Payroll
Noncontributory System	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%
	2026	546,334	546,334	-	3,438,154	15.89%
Tier 2 Public Employees System*	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%
	2026	437,551	437,551	-	3,083,517	14.19%
Tier 2 Public Employees DC Only System*	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%
	2026	24,489	24,489	-	584,451	4.19%

* 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, 2026

Note 1 - Changes in Assumptions - Utah Retirement Systems

Assumptions for plan year 2026, 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, 2026

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, 2026, 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 5, 2026.

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.

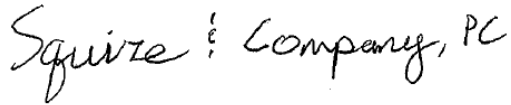
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Squire & Company, PC".

Orem, Utah
October 5, 2026



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, 2026:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Open and Public Meetings Act

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, 2026.

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 5, 2026

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary
As of July 31, 2026
8.33% of Budget Completed

	07/31/26	06/30/26	07/31/25
ASSETS			
Current Assets:			
1 Accounts Receivable	\$ 4,163,815	\$ 7,253,660	\$ 4,428,820
2 Other Receivable	141,224	6,285,328	2,844,888
3 Property Taxes Receivable	341,382	400,817	-
4 Leases Receivable - Current	65,326	65,326	64,269
5 Bonds Receivable	-	-	17,493,000
6 Inventories	400,391	427,178	406,785
7 Prepaid Expenses	1,078,367	137,062	1,131,745
Reserve Funds:			
8 Operations & Maintenance Fund	24,801,495	29,992,493	24,790,665
9 Renewal and Replacement Reserve	650,000	650,000	650,000
10 UDOT Grant Reserve-RWLCC	3,823,934	-	-
11 Capital Projects Reserve	10,000,000	10,000,000	10,000,000
12 ASR Reserve	-	-	(757,480)
13 Insurance/Contingency Reserve	2,000,000	2,000,000	2,000,000
14 Jordan Aqueduct Reserve	50,738	50,738	50,738
15 JVWTP O&M Agreement	20,000	20,000	20,000
16 150th South Pipeline Agreement	41,623	41,623	41,623
17 TOTAL CURRENT ASSETS	47,578,295	57,324,225	63,165,053
Restricted Assets:			
2015 Series Bond			
18 Bond Fund Account 2015A	38,734	381,900	1,288
2016 Series Bond			
19 Bond Fund Account 2016A	857,672	9,105,725	30,588
2020 Series Bond			
20 Bond Fund Account 2020A	401,724	4,111,397	13,950
2021 Series Bond			
21 Bond Fund Account 2021A	172,396	1,017,425	3,238
22 Bond Fund Account 2021B	207,589	2,327,953	7,964
2024 Series Bond			
23 Bond Fund Account 2024A	48,164	610,662	11,581
24 Project Fund Account 2024A	10,772,915	10,736,185	64,091
25 Bond Fund Account 2024B	217,174	1,871,013	5,169
26 Project Fund Account 2024B	11,547,466	11,504,788	25,416,273
27 Reserve Fund Account 2024A	399,491	199,752	-
28 TOTAL RESTRICTED ASSETS	24,663,325	41,866,800	25,554,142
Fixed Assets:			
29 Land & Right-of-Way	22,783,968	22,783,968	22,783,968
30 Buildings & Improvements	303,729,731	303,729,731	292,631,515
31 Machinery & Equipment	21,840,510	21,840,510	21,469,419
32 Furniture & Fixtures	60,173	60,173	60,173
33 Transportation Equipment	1,597,179	1,597,179	1,597,179
34 Aqueduct & Appurtenances	112,190,997	112,190,997	112,190,997
35 Water Rights - PRWUA	18,188,008	18,188,008	18,188,008
36 Investment in Surface Water	135,189,064	135,189,064	135,189,064
Construction in Progress:			
37 CIP - Jordan Aqueduct System	3,604,645	3,604,645	1,960,328
38 CIP - Aquifer Storage & Recovery	-	-	9,860,915
39 CIP - Other	46,169,388	45,441,252	18,554,815
40 TOTAL FIXED ASSETS	665,353,663	664,625,527	634,486,381
41 Less: Accumulated Depreciation	(225,115,032)	(224,137,961)	(213,816,043)
42 NET FIXED ASSETS	440,238,631	440,487,566	420,670,338
Other Assets:			
43 Investments	40,746,788	40,610,987	34,278,466
44 Leases Receivable - Long-Term	275,240	275,240	340,566
45 Net Pension Asset	180,558	180,558	-
46 TOTAL OTHER ASSETS	41,202,586	41,066,785	34,619,032
47 TOTAL ASSETS	\$ 553,682,837	\$ 580,745,376	\$ 544,008,565

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary
As of July 31, 2026
8.33% of Budget Completed

	07/31/26	06/30/26	07/31/25
Deferred Outflow of Resources:			
48 Refinance Term Costs - 2021A	\$ 368,685	\$ 371,757	\$ 405,553
49 Refinance Term Costs - 2021B	5,345,304	5,456,664	6,681,630
50 Deferred Amount on Refunding - 2009A	2,058,107	2,092,409	2,469,728
51 Deferred Bond Refunding - 2021A	1,386,187	1,397,738	1,524,805
52 Deferred Bond Refunding - 2021B	260,031	265,449	325,039
53 Deferred Outflows Relating to Pensions	1,283,900	1,283,900	1,955,311
54 TOTAL DEFERRED OUTFLOW OF RESOURCES	10,702,214	10,867,917	13,362,066
55 TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 564,385,051	\$ 591,613,293	\$ 557,370,631
LIABILITIES AND NET ASSETS			
Current Liabilities:			
56 Accounts Payable	\$ 7,047,232	\$ 15,080,488	\$ 3,170,070
57 Interest Payable - Bonds	443,730	3,029,316	488,175
58 Vacation Payable	608,018	611,569	552,800
59 Sick Leave Payable	303,439	303,439	310,273
60 Deferred Revenue	1,001,344	1,001,344	1,000,287
61 Bonds Payable, Current	16,381,000	16,381,000	15,549,000
62 CUP Water Supply Payable-CP	2,971,200	2,971,200	2,971,200
63 TOTAL CURRENT LIABILITIES	28,755,963	39,378,356	24,041,805
Long-Term Liabilities:			
64 Bonds Payable - Series 2015A	3,030,000	3,345,000	3,345,000
65 Bonds Payable - Series 2016A	38,825,000	47,250,000	47,250,000
66 Bonds Payable - Series 2020A	39,495,000	43,210,000	43,210,000
67 Bonds Payable - Series 2021A	43,340,000	43,340,000	43,340,000
68 Bonds Payable - Series 2021B	7,760,000	10,015,000	10,015,000
69 Bonds Payable - Series 2024A	21,065,000	21,535,000	21,535,000
70 Bonds Payable - Series 2024B	30,935,000	32,136,000	32,136,000
71 Reoffering Premium - 2015A	321,797	325,149	362,021
72 Reoffering Premium - 2016A	1,923,444	1,955,501	2,308,133
73 Reoffering Premium - 2021A	10,843,517	10,933,880	11,927,869
74 Net Pension Liability	212,371	212,371	1,482,013
75 CUP Water Supply Payable	56,452,800	56,452,800	59,424,000
76 Less Bonds Payable, Current	(16,381,000)	(16,381,000)	(15,549,000)
77 TOTAL LONG-TERM LIABILITIES	237,822,929	254,329,701	260,786,036
78 TOTAL LIABILITIES	266,578,892	293,708,057	284,827,841
Deferred Inflow of Resources:			
79 Deferred Revenue - Long-Term	275,240	275,240	340,566
80 Deferred Inflows Relating to Pensions	1,085,816	1,085,816	3,960
81 TOTAL DEFERRED INFLOW OF RESOURCES	1,361,056	1,361,056	344,526
82 TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	267,939,948	295,069,113	285,172,367
Net Assets:			
83 Invested in Capital Assets, Net of Related Debt	215,014,567	198,843,026	179,733,236
Restricted Assets:			
84 Future Debt Service	24,663,325	41,866,800	25,554,142
85 Operations & Maintenance Restriction	8,014,400	8,014,400	7,903,654
86 Renewal and Replacement	650,000	650,000	650,000
87 150th South Pipeline Agreement	41,623	41,623	41,623
88 JVWTP O&M Agreement	20,000	20,000	20,000
89 Jordan Aqueduct Reserve	50,738	50,738	50,738
90 Unrestricted	47,990,450	47,057,593	58,244,871
91 TOTAL NET ASSETS	296,445,103	296,544,180	272,198,264
92 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET ASSETS	\$ 564,385,051	\$ 591,613,293	\$ 557,370,631

METROPOLITAN WATER DISTRICT
Capital Report
For the Month Ending July 31, 2026
8.33% of Budget Complete

	Account Name	Account Number	Current Month	Year to Date	Total Budget	Amount Remaining	% of Budget Used
NON-CAPACITY IMPROVEMENT PROJECTS							
1	Salt Lake Aqueduct Replacement Reach 1 - Cottonwood Conduits		\$ 174,597.16	\$ 174,597.16	\$ 20,539,506.00	\$ 20,364,908.84	0.85%
2	Finished Water Strategic Conveyance Plan	1802E	78,831.17	78,831.17	1,875,259.00	1,796,427.83	4.20%
3	LCWTP Administration Campus Improvements	1845H	11,047.50	11,047.50	567,607.00	556,559.50	1.95%
4	Little Cottonwood Water Treatment Plant Rebuild	1845R	262,444.30	262,444.30	11,000,000.00	10,737,555.70	2.39%
5	Little Cottonwood Conduit Replacement and Intake Modifications		176,066.25	176,066.25	7,495,000.00	7,318,933.75	2.35%
6	Fleet Replacement Program	1848	22,195.99	22,195.99	470,000.00	447,804.01	4.72%
7	Little Dell Dam Improvements	1840	-	-	600,000.00	600,000.00	0.00%
8	Repair and Replace		2,953.67	2,953.67	650,000.00	647,046.33	0.45 %
9	Non-Capacity Improvement Projects		728,136.04	728,136.04	43,197,372.00	42,469,235.96	1.69%
OTHER CAPITAL IMPROVEMENT PROJECTS							
10	Jordan Aqueduct System and 150th South Pipeline	1599	-	-	3,776,739.00	3,776,739.00	0.00 %
11	Other Capital Improvement Projects		0.00	0.00	3,776,739.00	3,776,739.00	0.00 %
INVESTMENTS IN WATER SOURCES							
12	Central Utah Project (CUP) Capital	1853	-	-	3,815,423.00	3,815,423.00	0.00 %
13	Investments in Water Sources		0.00	0.00	3,815,423.00	3,815,423.00	0.00 %
14	GRAND TOTAL		\$ 728,136.04	\$ 728,136.04	\$ 50,789,534.00	\$ 50,061,397.96	1.43 %

METROPOLITAN WATER DISTRICT
Statement of Change in Net Position
For the Month Ending July 31, 2026
8.33% of Budget Complete

		Current Month	Year to Date	Total Budget	% of Budget Used	Prior YTD Actual	Prior Year Total	% Prior Year Use	Average 3 Years	Average 3 YTD (Actual Dollars)
OPERATING REVENUE										
	Water Sales:									
1	Salt Lake City	\$ 1,635,666.58	\$ 1,635,666.58	\$ 19,627,999.00	8.33%	\$ 1,543,081.50	\$ 18,516,978.00	8.33%	8.33%	\$ 1,479,826.81
2	Sandy City	636,092.58	636,092.58	7,633,111.00	8.33%	600,087.25	7,201,047.00	8.33%	8.33%	575,488.20
3	Water Sales for Others	284,367.86	284,367.86	1,299,344.00	21.89 %	214,650.97	1,600,561.69	13.41 %	11.29 %	133,126.06
4	TOTAL OPERATING REVENUE	2,556,127.02	2,556,127.02	28,560,454.00	8.95%	2,357,819.72	27,318,586.69	8.63%	8.47%	2,188,441.07
OPERATING EXPENSES										
5	Administrative	219,033.72	219,033.72	3,075,675.00	7.12%	163,579.31	2,553,206.69	6.41%	4.44%	108,668.00
6	General	157,211.45	157,211.45	11,938,504.00	1.32%	211,971.32	11,487,670.40	1.85%	1.63%	169,012.95
7	Operations	467,527.76	467,527.76	4,169,384.00	11.21%	507,239.57	3,956,119.20	12.82%	9.70%	421,816.94
8	Maintenance	248,561.44	248,561.44	3,642,935.00	6.82%	354,573.14	3,092,168.32	11.47%	7.97%	237,602.12
9	Information Technology	184,812.72	184,812.72	2,768,148.00	6.68%	145,098.25	2,514,042.52	5.77%	5.52%	125,634.46
10	Engineering	118,311.36	118,311.36	1,783,483.00	6.63%	114,672.05	1,567,087.73	7.32%	5.59%	77,029.23
11	Instrumentation & Electrical	123,786.58	123,786.58	2,293,309.00	5.40%	135,637.55	2,020,114.57	6.71%	5.94%	110,225.18
12	Lab	81,268.70	81,268.70	1,305,166.00	6.23%	78,911.06	963,303.32	8.19%	6.42%	60,912.60
13	Non-Routine O&M	1,893.40	1,893.40	1,081,000.00	0.18%	7,700.36	1,407,745.91	0.55%	0.37%	3,803.45
14	Depreciation Expense	977,070.85	977,070.85	11,652,612.00	8.38 %	955,013.34	11,276,931.46	8.47 %	8.47 %	949,753.33
15	TOTAL OPERATING EXPENSES	2,579,477.98	2,579,477.98	43,710,216.00	5.90%	2,674,395.95	40,838,390.12	6.55%	5.83%	2,264,458.27
16	INCOME (LOSS) FROM OPERATIONS	(23,350.96)	(23,350.96)	(15,149,762.00)	0.15%	(316,576.23)	(13,519,803.43)	2.34%	0.58%	(76,017.21)
NON-OPERATING REVENUE										
17	General Property Taxes	537,130.06	537,130.06	27,066,550.00	1.98%	482,444.76	24,929,238.80	1.94%	1.33%	282,700.65
18	Fees in Lieu of Taxes	80,944.43	80,944.43	737,965.00	10.97%	76,050.55	812,119.31	9.36%	7.60%	50,462.77
19	Interest Revenue	406,293.92	406,293.92	3,906,226.00	10.40%	376,153.09	4,328,864.87	8.69%	9.38%	421,709.63
20	Prior Year Tax Collections	0.00	0.00	266,966.00	0.00%	(288,726.13)	480,840.44	-60.05%	-53.80%	(202,527.65)
21	Special Assessment Revenue	1,016,839.00	1,016,839.00	12,807,908.00	7.94%	1,011,880.50	12,025,361.88	8.41%	8.44%	1,009,549.92
22	Encroachment Applications	3,392.45	3,392.45	0.00	0.00%	30,159.07	231,892.53	13.01%	12.03%	11,431.48
23	Miscellaneous	5,198.92	5,198.92	272,325.00	1.91%	4,921.06	136,646.96	3.60%	1.96%	3,588.56
24	Gain/(Loss) on Disposal of Fixed Assets	0.00	0.00	0.00	0.00%	0.00	16,610.00	0.00%	0.00%	0.00
25	Grant Funding	(0.02)	(0.02)	0.00	0.00%	273,296.19	4,908,779.22	5.57%	3.72%	91,098.73
26	SLAR-CC Construction	(1,615,304.54)	(1,615,304.54)	7,000,000.00	-23.08%	0.00	9,423,229.39	0.00%	0.00%	0.00
27	Net Change of Investments	(1,525.07)	(1,525.07)	0.00	0.00 %	846.59	(94,562.99)	(0.90)%	1.63 %	2,231.74
28	TOTAL NON-OPERATING REVENUE	432,969.15	432,969.15	52,057,940.00	0.83%	1,967,025.68	57,199,020.41	3.44%	3.45%	1,670,245.84
NON-OPERATING EXPENSE										
29	Interest Expense	483,661.60	483,661.60	5,931,370.00	8.15%	403,970.80	6,273,011.24	6.44%	7.77%	444,860.35
30	Contributions to Other Govts	0.00	0.00	2,191,226.00	0.00%	0.00	2,191,226.00	0.00%	0.00%	0.00
31	SLAR-CC Construction Costs	25,032.72	25,032.72	7,000,000.00	0.36%	103,708.44	9,423,229.35	1.10%	0.51%	34,569.48
32	Benefit Expense	0.00	0.00	0.00	0.00%	0.00	(1,007,951.00)	0.00%	0.00%	0.00
33	Actuarial Calculated Pension Expense	0.00	0.00	0.00	0.00 %	0.00	1,311,018.00	0.00 %	0.00 %	0.00
34	TOTAL NON-OPERATING EXPENSE	508,694.32	508,694.32	15,122,596.00	3.36 %	507,679.24	18,190,533.59	2.79 %	3.33 %	479,429.83
35	NON-OPERATING INCOME (LOSS), NET	(75,725.17)	(75,725.17)	46,126,570.00	(0.16)%	1,459,346.44	39,008,486.82	3.74 %	3.49 %	1,190,816.01
36	TOTAL CHANGE IN NET POSITION	\$ (99,076.13)	\$ (99,076.13)	\$ 30,976,808.00	(0.32)%	\$ 1,142,770.21	\$ 25,488,683.39	4.48 %	5.29 %	\$ 1,114,798.80

MWDLSL Non-Capital Purchases Over \$10,000

July 2026

Vendor	Invoice #	Check #	Amount	Description
Brenntag Pacific, Inc	various	83820	18,043.54	Chemicals
CDW Government, Inc.	various	83822	16,261.66	Lenovo Laptops; Warranties for Lenovo Servers
CompuNet, Inc.	328731	83826	15,134.77	Solid State Drives for Servers
Graymont Western US Inc.	4-457305RI	83836	12,785.06	Chemicals
Linde Inc	various	83845	16,831.30	Chemicals
Thatcher Company	various	83851	44,818.63	Chemicals
ZFNB - Utah Corporate Trust	various	83856	10,000.00	Annual Bond Fees
AE2S	112436	83857	10,898.13	Engineering Services: Financial Planning
Brenntag Pacific, Inc	various	83865	26,985.57	Chemicals
DC Frost Associates, Inc	45044	83878	208,683.00	POMWTP Actuator Replacements
Hach Company	various	83887	16,299.02	Chlorine Analyzer & Colorimeter Assembly
Hartman Management Group	1931	83889	30,000.00	July 2026 Services
Infinity Corrosion Group, Inc.	various	83892	34,800.00	Annual Cathodic Protection Survey; Cathodic Protection Mitigation & Repairs
Jordan Valley Water Conservancy District	042026-062026	83895	21,442.81	April-June 2026 Water Treatment & Storage
Les Olson Company	various	83898	13,036.44	HP Design Jet Multifunction Plotter Printer & Support Package
Linde Inc	various	83900	29,510.46	Chemicals
Pilot Thomas Logistics	571880R-DM	83906	16,737.81	Unleaded Fuel
Probuild Construction, Inc.	20260630	83909	23,093.10	Terminal Reservoir North Roof Perimeter Drain Repairs
Stantec Consulting Services Inc.	2589401	83921	40,330.65	HMI Programming Standards Development - Phase 1
Thatcher Company	various	83923	193,620.33	Chemicals
Xylem Water Solutions U.S.A., Inc.	various	83929	14,026.45	LCWTP Ozone Generators Spare Parts
Bowen, Collins & Associates	42253	83930	10,091.00	Terminal Reservoir Assessment
Central Wasatch Commission	20260701	83933	15,000.00	CWC Membership 2026-2027
Keller Associates	various	83942	31,000.00	POMWRW Liner Assessment
Utah Local Governments Trust	various	83953	1,033,398.91	Insurance Premiums - FY 2027
Mechanical Service & Systems, Inc.	62509	83973	30,619.00	Operations Building - (3) HVAC Unit Replacements
SKM Engineering, LLC	33337-R	83978	10,356.50	Remote Sites Radio Upgrade Design Finalization
Trane	various	83980	24,187.20	POMWTP - HVAC Troubleshoot & Repair - Electric Room Roof South Unit
Health Equity	ACH		26,166.44	H.S.A. Contributions - July 2026
Paylocity	ACH		81,049.06	Payroll Taxes 7/2/26
Paylocity	ACH		79,317.05	Payroll Taxes 7/16/26
Paylocity	ACH		87,898.67	Payroll Taxes 7/30/26
Utah Retirement Systems	ACH		71,564.62	Retirement Contributions 6/18/26 Payroll
Utah Retirement Systems	ACH		72,431.50	Retirement Contributions 7/2/26 Payroll
Paylocity	ACH		194,479.91	Net Payroll 7/2/26
Paylocity	ACH		190,298.40	Net Payroll 7/16/26
Paylocity	ACH		198,908.19	Net Payroll 7/30/26
Rocky Mountain Power	ACH		55,229.92	Electrical Services - May/June 2026
Rocky Mountain Power	ACH		65,806.23	Electrical Services - April/May 2026
Rocky Mountain Power	ACH		53,442.55	Electrical Services - June/July 2026
Rocky Mountain Power	ACH		77,363.24	Electrical Services - May/June 2026
Rocky Mountain Power	ACH		38,439.37	Electrical Services - May/June 2026
Select Health	ACH		110,016.70	Medical Insurance Premiums - August 2026
Zions Bank	ACH		293,351.67	Zions Visa Commercial Card Payment - statement closing date 6/30/26
Zions Bank	ACH		2,069,163.47	July Bond Payment Transfers

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary Comparisons
As of July 31, 2026

	7/31/2026	6/30/26	Difference
1 Accounts Receivable	4,163,815	7,253,660	(3,089,845)

Explanation: As of June 30, 2026, both Salt Lake City and Sandy City had a bill from a prior month that was still outstanding, whereas both member cities are current as of July 31st.

	7/31/26	6/30/26	Difference
2 Other Receivable	141,224	6,285,328	(6,144,104)

Explanation: The June 30th balance reflects the \$4 million UDOT grant awarded to Metro Water for the Little Cottonwood Conduit Replacement project and another \$1.6 million of the balance represents the amount due to Metro Water by Salt Lake City for reimbursement of SLAR-CC construction costs incurred in FY 2026. Both of these amounts were received in July.

	7/31/26	6/30/26	Difference
7 Prepaid Expenses	1,078,367	137,062	941,305

Explanation: The annual insurance premiums with Utah Local Governments Trust are paid at the beginning of the fiscal year and proportionately expensed throughout the year. This is the cause for the large increase from the prior month.

	7/31/26	6/30/26	Difference
8 Operations & Maintenance Fund	24,801,495	29,992,493	(5,190,998)

Explanation: There was a total payout of \$7.4 million towards capital expenditures in July, much higher than an average month, in an effort to finalize all FY 2026 related costs as part of the year end close process. A total of \$6.4 million was paid to Whitaker Construction for two months of work on the SLAR-CC construction. The June payout for capital expenditures was lower than usual, and the average for the two months is more in line with a normal average.

	7/31/26	6/30/26	Difference
10 UDOT Grant Reserve-RWLCC	3,823,934	-	3,823,934

Explanation: This new reserve account was established to track a \$4M grant awarded to Metro Water by the State's UDOT division. The grant will be used assist in funding the Little Cottonwood Conduit Replacement project.

	7/31/26	6/30/26	Difference
28 Total Restricted Assets	24,663,325	41,866,800	(17,203,475)

Explanation: The annual bond principal and semi-annual interest payments were paid in the month of July. This is the cause of the decrease in lines 18-23 and 25. This also relates to line 84 Future Debt Service.

	7/31/26	6/30/26	Difference
57 Interest Payable - Bonds	443,730	3,029,316	(2,585,586)

Explanation: As mentioned above, our semi-annual bond interest payments were paid in July.

METROPOLITAN WATER DISTRICT
Statement of Change in Net Position Comparisons
For the Month Ending July 31, 2026

	Year to Date	Average 3 YTD (Actual Dollars)	Difference
26 SLAR-CC Construction (Non-Operating Revenue)	(1,615,304.54)	-	(1,615,304.54)

Explanation: This amount represents the reversal of an accrual that was booked in June to account for FY 2026 revenue. The accrual was reversed in July to offset the actual billing to Salt Lake City. The bill to SLC was dated August 11th. The net effect of this timing difference is zero by end of August 2026.

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary
As of August 31, 2026
16.67% of Budget Completed

	08/31/26	07/31/26	08/31/25
ASSETS			
Current Assets:			
1 Accounts Receivable	\$ 6,430,978	\$ 4,163,815	\$ 6,940,418
2 Other Receivable	91,314	141,224	105,000
3 Property Taxes Receivable	327,676	341,382	-
4 Leases Receivable - Current	65,326	65,326	64,269
5 Bonds Receivable	-	-	12,743,000
6 Inventories	416,471	400,391	388,757
7 Prepaid Expenses	993,969	1,078,367	1,051,872
Reserve Funds:			
8 Operations & Maintenance Fund	28,282,891	24,801,495	28,540,551
9 Renewal and Replacement Reserve	650,000	650,000	650,000
10 UDOT Grant Reserve-RWLCC	3,784,781	3,823,934	-
11 Capital Projects Reserve	10,000,000	10,000,000	10,000,000
12 ASR Reserve	-	-	(848,252)
13 Insurance/Contingency Reserve	2,000,000	2,000,000	2,000,000
14 Jordan Aqueduct Reserve	50,738	50,738	50,738
15 JWTP O&M Agreement	20,000	20,000	20,000
16 150th South Pipeline Agreement	41,623	41,623	41,623
17 TOTAL CURRENT ASSETS	53,155,767	47,578,295	61,747,976
Restricted Assets:			
2015 Series Bond			
18 Bond Fund Account 2015A	76,353	38,734	1,293
2016 Series Bond			
19 Bond Fund Account 2016A	1,688,553	857,672	30,704
2020 Series Bond			
20 Bond Fund Account 2020A	775,701	401,724	14,003
2021 Series Bond			
21 Bond Fund Account 2021A	342,049	172,396	3,251
22 Bond Fund Account 2021B	408,301	207,589	7,995
2024 Series Bond			
23 Bond Fund Account 2024A	94,625	48,164	11,625
24 Project Fund Account 2024A	8,951,893	10,772,915	3,880,550
25 Bond Fund Account 2024B	428,983	217,174	5,189
26 Project Fund Account 2024B	7,710,765	11,547,466	23,563,550
27 Reserve Fund Account 2024A	400,244	399,491	-
28 TOTAL RESTRICTED ASSETS	20,877,467	24,663,325	27,518,160
Fixed Assets:			
29 Land & Right-of-Way	22,783,968	22,783,968	22,783,968
30 Buildings & Improvements	303,729,731	303,729,731	292,631,515
31 Machinery & Equipment	21,840,510	21,840,510	21,469,419
32 Furniture & Fixtures	60,173	60,173	60,173
33 Transportation Equipment	1,597,179	1,597,179	1,597,179
34 Aqueduct & Appurtenances	112,190,997	112,190,997	112,190,997
35 Water Rights - PRWUA	18,188,008	18,188,008	18,188,008
36 Investment in Surface Water	135,189,064	135,189,064	135,189,064
Construction in Progress:			
37 CIP - Jordan Aqueduct System	3,604,645	3,604,645	1,960,328
38 CIP - Aquifer Storage & Recovery	-	-	9,951,686
39 CIP - Other	48,809,704	46,169,388	20,023,069
40 TOTAL FIXED ASSETS	667,993,979	665,353,663	636,045,406
41 Less: Accumulated Depreciation	(226,091,667)	(225,115,032)	(214,771,056)
42 NET FIXED ASSETS	441,902,312	440,238,631	421,274,350
Other Assets:			
43 Investments	40,875,376	40,746,788	34,427,510
44 Leases Receivable - Long-Term	275,240	275,240	340,566
45 Net Pension Asset	180,558	180,558	-
46 TOTAL OTHER ASSETS	41,331,174	41,202,586	34,768,076
47 TOTAL ASSETS	\$ 557,266,720	\$ 553,682,837	\$ 545,308,562

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary
As of August 31, 2026
16.67% of Budget Completed

	08/31/26	07/31/26	08/31/25
Deferred Outflow of Resources:			
48 Refinance Term Costs - 2021A	\$ 365,612	\$ 368,685	\$ 402,481
49 Refinance Term Costs - 2021B	5,233,943	5,345,304	6,570,269
50 Deferred Amount on Refunding - 2009A	2,023,805	2,058,107	2,435,426
51 Deferred Bond Refunding - 2021A	1,374,635	1,386,187	1,513,254
52 Deferred Bond Refunding - 2021B	254,614	260,031	319,622
53 Deferred Outflows Relating to Pensions	1,283,900	1,283,900	1,955,311
54 TOTAL DEFERRED OUTFLOW OF RESOURCES	10,536,509	10,702,214	13,196,363
55 TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 567,803,229	\$ 564,385,051	\$ 558,504,925
LIABILITIES AND NET ASSETS			
Current Liabilities:			
56 Accounts Payable	\$ 8,321,448	\$ 7,047,232	\$ 3,699,907
57 Interest Payable - Bonds	887,460	443,730	976,351
58 Vacation Payable	599,887	608,018	563,255
59 Sick Leave Payable	303,439	303,439	310,273
60 Deferred Revenue	1,001,344	1,001,344	1,000,287
61 Bonds Payable, Current	16,381,000	16,381,000	15,549,000
62 CUP Water Supply Payable-CP	2,971,200	2,971,200	2,971,200
63 TOTAL CURRENT LIABILITIES	30,465,778	28,755,963	25,070,273
Long-Term Liabilities:			
64 Bonds Payable - Series 2015A	3,030,000	3,030,000	3,345,000
65 Bonds Payable - Series 2016A	38,825,000	38,825,000	47,250,000
66 Bonds Payable - Series 2020A	39,495,000	39,495,000	43,210,000
67 Bonds Payable - Series 2021A	43,340,000	43,340,000	43,340,000
68 Bonds Payable - Series 2021B	7,760,000	7,760,000	10,015,000
69 Bonds Payable - Series 2024A	21,065,000	21,065,000	21,535,000
70 Bonds Payable - Series 2024B	30,935,000	30,935,000	32,136,000
71 Reoffering Premium - 2015A	318,445	321,797	358,669
72 Reoffering Premium - 2016A	1,891,387	1,923,444	2,276,075
73 Reoffering Premium - 2021A	10,753,155	10,843,517	11,837,506
74 Net Pension Liability	212,371	212,371	1,482,013
75 CUP Water Supply Payable	56,452,800	56,452,800	59,424,000
76 Less Bonds Payable, Current	(16,381,000)	(16,381,000)	(15,549,000)
77 TOTAL LONG-TERM LIABILITIES	237,697,158	237,822,929	260,660,263
78 TOTAL LIABILITIES	268,162,936	266,578,892	285,730,536
Deferred Inflow of Resources:			
79 Deferred Revenue - Long-Term	275,240	275,240	340,566
80 Deferred Inflows Relating to Pensions	1,085,816	1,085,816	3,960
81 TOTAL DEFERRED INFLOW OF RESOURCES	1,361,056	1,361,056	344,526
82 TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	269,523,992	267,939,948	286,075,062
Net Assets:			
83 Invested in Capital Assets, Net of Related Debt	210,980,592	215,014,567	182,261,052
Restricted Assets:			
84 Future Debt Service	20,877,467	24,663,325	27,518,160
85 Operations & Maintenance Restriction	8,014,400	8,014,400	7,903,654
86 Renewal and Replacement	650,000	650,000	650,000
87 150th South Pipeline Agreement	41,623	41,623	41,623
88 JVWTP O&M Agreement	20,000	20,000	20,000
89 Jordan Aqueduct Reserve	50,738	50,738	50,738
90 Unrestricted	57,644,417	47,990,450	53,984,636
91 TOTAL NET ASSETS	298,279,237	296,445,103	272,429,863
92 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET ASSETS	\$ 567,803,229	\$ 564,385,051	\$ 558,504,925

METROPOLITAN WATER DISTRICT
Capital Report
For the Month Ending August 31, 2026
16.67% of Budget Complete

	Account Name	Account Number	Current Month	Year to Date	Total Budget	Amount Remaining	% of Budget Used
NON-CAPACITY IMPROVEMENT PROJECTS							
1	Salt Lake Aqueduct Replacement Reach 1 - Cottonwood Conduits		\$ 2,540,842.81	\$ 2,715,439.97	\$ 20,539,506.00	\$ 17,824,066.03	13.22%
2	Finished Water Strategic Conveyance Plan	1802E	50,300.91	129,132.08	1,875,259.00	1,746,126.92	6.89%
3	LCWTP Administration Campus Improvements	1845H	-	11,047.50	567,607.00	556,559.50	1.95%
4	Little Cottonwood Water Treatment Plant Rebuild	1845R	10,019.97	272,464.27	11,000,000.00	10,727,535.73	2.48%
5	Little Cottonwood Conduit Replacement and Intake Modifications		39,153.00	215,219.25	7,495,000.00	7,279,780.75	2.87%
6	Fleet Replacement Program	1848	-	22,195.99	470,000.00	447,804.01	4.72%
7	Little Dell Dam Improvements	1840	-	-	600,000.00	600,000.00	0.00%
8	Repair and Replace		-	2,953.67	650,000.00	647,046.33	0.45 %
9	Non-Capacity Improvement Projects		2,640,316.69	3,368,452.73	43,197,372.00	39,828,919.27	7.80%
OTHER CAPITAL IMPROVEMENT PROJECTS							
10	Jordan Aqueduct System and 150th South Pipeline	1599	-	-	3,776,739.00	3,776,739.00	0.00 %
11	Other Capital Improvement Projects		0.00	0.00	3,776,739.00	3,776,739.00	0.00 %
INVESTMENTS IN WATER SOURCES							
12	Central Utah Project (CUP) Capital	1853	-	-	3,815,423.00	3,815,423.00	0.00 %
13	Investments in Water Sources		0.00	0.00	3,815,423.00	3,815,423.00	0.00 %
14	GRAND TOTAL		\$ 2,640,316.69	\$ 3,368,452.73	\$ 50,789,534.00	\$ 47,421,081.27	6.63 %

METROPOLITAN WATER DISTRICT
Statement of Change in Net Position
For the Month Ending August 31, 2026
16.67% of Budget Complete

		Current Month	Year to Date	Total Budget	% of Budget Used	Prior YTD Actual	Prior Year Total	% Prior Year Use	Average 3 Years	Average 3 YTD (Actual Dollars)
OPERATING REVENUE										
	Water Sales:									
1	Salt Lake City	\$ 1,635,666.58	\$ 3,271,333.16	\$ 19,627,999.00	16.67%	\$ 3,086,163.00	\$ 18,516,978.00	16.67%	16.67%	\$ 2,959,653.61
2	Sandy City	636,092.58	1,272,185.16	7,633,111.00	16.67%	1,200,174.50	7,201,047.00	16.67%	16.67%	1,150,976.39
3	Water Sales for Others	215,273.82	499,641.68	1,299,344.00	38.45 %	436,471.44	1,600,561.69	27.27 %	24.11 %	284,212.53
4	TOTAL OPERATING REVENUE	2,487,032.98	5,043,160.00	28,560,454.00	17.66%	4,722,808.94	27,318,586.69	17.29%	17.01%	4,394,842.54
OPERATING EXPENSES										
5	Administrative	183,365.89	402,399.61	3,075,675.00	13.08%	368,808.40	2,553,206.69	14.44%	12.54%	306,611.13
6	General	221,536.17	378,747.62	11,938,504.00	3.17%	524,224.50	11,487,670.40	4.56%	4.93%	511,066.15
7	Operations	419,330.61	886,858.37	4,169,384.00	21.27%	1,075,781.54	3,956,119.20	27.19%	22.94%	997,057.40
8	Maintenance	230,473.53	479,034.97	3,642,935.00	13.15%	551,352.28	3,092,168.32	17.83%	18.04%	538,026.07
9	Information Technology	148,251.09	333,063.81	2,768,148.00	12.03%	334,579.64	2,514,042.52	13.31%	14.15%	322,262.66
10	Engineering	86,574.75	204,886.11	1,783,483.00	11.49%	207,925.40	1,567,087.73	13.27%	13.50%	186,069.00
11	Instrumentation & Electrical	134,219.82	258,006.40	2,293,309.00	11.25%	292,405.44	2,020,114.57	14.47%	14.39%	266,931.05
12	Lab	93,827.05	175,095.75	1,305,166.00	13.42%	147,965.80	963,303.32	15.36%	14.88%	141,176.54
13	Non-Routine O&M	0.00	1,893.40	1,081,000.00	0.18%	59,967.49	1,407,745.91	4.26%	2.95%	30,199.16
14	Depreciation Expense	976,635.04	1,953,705.89	11,652,612.00	16.77 %	1,910,026.58	11,276,931.46	16.94 %	16.94 %	1,899,650.69
15	TOTAL OPERATING EXPENSES	2,494,213.95	5,073,691.93	43,710,216.00	11.61%	5,473,037.07	40,838,390.12	13.40%	13.39%	5,199,049.86
16	INCOME (LOSS) FROM OPERATIONS	(7,180.97)	(30,531.93)	(15,149,762.00)	0.20%	(750,228.13)	(13,519,803.43)	5.55%	6.19%	(804,207.32)
NON-OPERATING REVENUE										
17	General Property Taxes	146,805.96	683,936.02	27,066,550.00	2.53%	822,226.26	24,929,238.80	3.30%	2.03%	430,433.41
18	Fees in Lieu of Taxes	65,010.53	145,954.96	737,965.00	19.78%	152,330.64	812,119.31	18.76%	15.44%	102,531.27
19	Interest Revenue	343,115.19	749,409.11	3,906,226.00	19.18%	751,723.10	4,328,864.87	17.37%	17.50%	786,577.33
20	Prior Year Tax Collections	0.00	0.00	266,966.00	0.00%	(273,240.40)	480,840.44	-56.83%	-51.29%	(193,078.40)
21	Special Assessment Revenue	1,016,839.00	2,033,678.00	12,807,908.00	15.88%	2,023,761.08	12,025,361.88	16.83%	16.88%	2,019,099.86
22	Encroachment Applications	0.00	3,392.45	0.00	0.00%	30,159.07	231,892.53	13.01%	13.38%	12,712.49
23	Miscellaneous	58.50	5,257.42	272,325.00	1.93%	6,133.06	136,646.96	4.49%	3.95%	7,226.42
24	Gain/(Loss) on Disposal of Fixed Assets	0.00	0.00	0.00	0.00%	0.00	16,610.00	0.00%	0.00%	0.00
25	Grant Funding	93,179.88	93,179.86	0.00	0.00%	0.00	4,908,779.22	0.00%	0.00%	0.00
26	SLAR-CC Construction	1,615,304.54	0.00	7,000,000.00	0.00%	0.00	9,423,229.39	0.00%	0.00%	0.00
27	Net Change of Investments	(3,856.47)	(5,381.54)	0.00	0.00 %	(489.02)	(94,562.99)	0.52 %	1.30 %	1,786.54
28	TOTAL NON-OPERATING REVENUE	3,276,457.13	3,709,426.28	52,057,940.00	7.13%	3,512,603.79	57,199,020.41	6.14%	6.53%	3,167,288.92
NON-OPERATING EXPENSE										
29	Interest Expense	483,661.60	967,323.20	5,931,370.00	16.31%	932,077.50	6,273,011.24	14.86%	16.07%	920,118.05
30	Contributions to Other Govts	0.00	0.00	2,191,226.00	0.00%	0.00	2,191,226.00	0.00%	0.00%	0.00
31	SLAR-CC Construction Costs	951,481.12	976,513.84	7,000,000.00	13.95%	455,931.70	9,423,229.35	4.84%	2.23%	151,977.23
32	Benefit Expense	0.00	0.00	0.00	0.00%	0.00	(1,007,951.00)	0.00%	0.00%	0.00
33	Actuarial Calculated Pension Expense	0.00	0.00	0.00	0.00 %	0.00	1,311,018.00	0.00 %	0.00 %	0.00
34	TOTAL NON-OPERATING EXPENSE	1,435,142.72	1,943,837.04	15,122,596.00	12.85 %	1,388,009.20	18,190,533.59	7.63 %	7.44 %	1,072,095.28
35	NON-OPERATING INCOME (LOSS), NET	1,841,314.41	1,765,589.24	46,126,570.00	3.83 %	2,124,594.59	39,008,486.82	5.45 %	6.15 %	2,095,193.64
36	TOTAL CHANGE IN NET POSITION	\$ 1,834,133.44	\$ 1,735,057.31	\$ 30,976,808.00	5.60 %	\$ 1,374,366.46	\$ 25,488,683.39	5.39 %	6.12 %	\$ 1,290,986.32

MWDSLS Non-Capital Purchases Over \$10,000**August 2026**

Vendor	Invoice #	Check #	Amount	Description
CivicPlus LLC	378044	83989	10,080.00	Streamline - Compliance Essentials Renewal
Insight Public Sector	1101403899	83998	26,922.64	ClearGov Budgeting Software - FY 2027
Brenntag Pacific, Inc	various	84015	36,054.67	Chemicals
Hartman Management Group	1935	84022	30,000.00	August 2026 Services
Linde Inc	various	84026	24,694.54	Chemicals
Thatcher Company	various	84034	101,635.22	Chemicals
Univar Solutions	various	84037	35,687.40	Chemicals
Thatcher Company	2026100110271	84063	19,800.00	Chemicals
Health Equity		ACH	26,374.77	H.S.A. Contributions - August 2026
Paylocity		ACH	79,281.04	Payroll Taxes 8/13/26
Paylocity		ACH	78,344.85	Payroll Taxes 8/27/26
Utah Retirement Systems		ACH	72,155.40	Retirement Contributions 7/16/26 Payroll
Utah Retirement Systems		ACH	72,242.49	Retirement Contributions 7/30/26 Payroll
Utah Retirement Systems		ACH	69,904.25	Retirement Contributions 8/13/26 Payroll
Paylocity		ACH	188,990.74	Net Payroll 8/13/26
Paylocity		ACH	199,608.19	Net Payroll 8/27/26
Rocky Mountain Power		ACH	69,406.34	Electrical Services - June/July 2026
Rocky Mountain Power		ACH	72,575.20	Electrical Services - June/July 2026
Zions Bank		ACH	355,593.28	Zions Visa Commercial Card Payment - statement closing date 7/31/26
Zions Bank		ACH	1,870,063.47	August Bond Payment Transfers

METROPOLITAN WATER DISTRICT
Balance Sheet - Summary Comparisons
As of August 31, 2026

	8/31/2026	7/31/2026	Difference
1 Accounts Receivable	6,430,978	4,163,815	2,267,163

Explanation: As of August 31, 2026, Sandy City had a bill from a prior month that was still outstanding, whereas they were current as of July 31st. Additionally, Salt Lake City was billed for reimbursement of SLAR-CC construction costs in the amount of \$1.6 million in August. They were not billed for any reimbursement in July.

	8/31/26	7/31/26	Difference
8 Operations & Maintenance Fund	28,282,891	24,801,495	3,481,396

Explanation: Bond proceeds in the amount of \$5.7 million were received in August, where only \$2-3 million are received in a typical month. There were no bond proceeds received in July. Cash flow has been otherwise steady.

	8/31/26	7/31/26	Difference
28 Total Restricted Assets	20,877,467	24,663,325	(3,785,858)

Explanation: A large sum of bond proceeds were drawn upon in August. See line 8, Operations & Maintenance. This is the cause of the decrease in lines 24 and 26.



Consider approval of fleet surplus

Background: Section 6-3 of Metro Water's Policies and Procedures states the following:

6-3 DISPOSAL OF SURPLUS PROPERTY

- 3) The District's disposal of surplus motor vehicles shall be accomplished as follows:
- a) The Procurement Official shall make a recommendation to the Finance Committee as to an approximate reasonable sales price for each motor vehicle to be sold as surplus property. This recommendation should be made by the Procurement Official based on a review of any applicable information contained in the NADA "Blue Book", the Kelly "Blue Book", and/or interviews with a reasonable number of local auction houses and/or dealerships.
 - b) Sale of the vehicle shall be accomplished as approved by the Finance Committee. Methods of sale may include:
 - i) Auction through a local or internet auction;
 - ii) Consignment with a local dealer or broker;
 - iii) Sale advertised via the internet and/or in the classified sections of the *Salt Lake Tribune*, *Deseret News* or other appropriate periodical;
 - iv) Dealer trade-in; or
 - v) Sale to an interested employee or employee family member. The District is interested in making surplus District vehicles available to its employees to encourage proper use, care and maintenance of vehicles. No surplus vehicle shall be sold to a District employee or family member of an employee without Board approval.

Metro Water made two vehicles available for employee purchase. Minimum starting bids for the two vehicles were advertised in a surplus auction held September 15 – 23, 2026. No bids were received for the 2012 Dodge Ram. The high bid for the 2021 Dodge Durango is \$13,759. The following table summarizes the surplus:

Truck (TK) No	Vehicle	Minimum Starting Bid	High Bid
55	2012 Dodge Ram 2500	\$7,500	No bids
60	2021 Dodge Durango	\$10,900	\$13,759

Committee Activity: The Finance Committee discussed the fleet surplus on October 6, 2026, and recommended approval by the full board.

Recommendation: Recommended approval of surplus of the 2021 Dodge Durango (Truck #60) to staff for \$13,759.

Last Update: October 12, 2026