East Duchesne Culinary Water Improvement District

Duchesne County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2025

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East Duchesne Culinary Water Improvement District

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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East Duchesne Culinary Water Improvement District
Management's Discussion and Analysis
December 31, 2025

As management of East Duchesne Culinary Water Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

*Total net position for the District decreased by $177,620.

*Unrestricted net position for the District decreased by $14,678

*Operating revenues decreased by $709,804

*Operating expenses decreased by $13,884

*Net operating income decreased by $695,920

BASIC FINANCIAL STATEMENTS

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for the operations financed an operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

FINANCIAL ANALYSIS

East Duchesne Culinary Water Improvement District's Net Position

	Current Year	Previous Year	Change
Current and other assets	$ 3,886,218	4,149,325	(263,107)
Net capital assets	6,288,055	6,558,997	(270,942)
Deferred outflows of resources	26,959	25,446	1,513
Total assets and deferred outflows of resources	**10,201,231**	**10,733,768**	**(532,537)**
Long-term debt	3,362,000	3,470,000	(108,000)
Other liabilities	79,666	326,610	(246,944)
Deferred inflows of resources	55	26	29
Total liabilities and deferred inflows or resources	**3,441,721**	**3,796,636**	**(354,915)**
Net position:			
Net investment in capital assets	2,926,055	3,088,997	(162,942)
Restricted	23,972	23,972	-
Unrestricted	3,809,484	3,824,162	(14,678)
Total net position	**$ 6,759,511**	**6,937,131**	**(177,620)**

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by $6,759,511, a decrease of $177,621 from the previous year. This change is equivalent to the net loss for the year, in private sector terms.

Total unrestricted net position at the end of the year is $3,809,484, which represents a decrease of $14,678 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

FINANCIAL ANALYSIS (continued)

East Duchesne Culinary Water Improvement District's Change in Net Position

	Current Year	Previous Year	Change
Operating income:			
Service income	$ 979,222	1,681,352	(702,130)
Other operating income	6,752	14,426	(7,674)
Total operating income	**985,974**	**1,695,778**	**(709,804)**
Operating expenses:			
Depreciation expense	172,201	170,314	1,887
Other operating expense	1,072,920	1,088,691	(15,771)
Total operating expense	**1,245,121**	**1,259,005**	**(13,884)**
Net operating income (loss)	**(259,147)**	**436,773**	**(695,920)**
Non-operating items:			
Revenues	116,226	239,430	(123,204)
Expenses	(34,700)	(35,770)	1,070
Total non-operating items	**81,526**	**203,660**	**(122,134)**
Net income (loss)	**$ (177,621)**	**640,432**	**(818,053)**

Service income decreased by $702,130 over the previous year. Other operating income decreased by $7,674.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by $1,887. Other operating expenses decreased by $15,771 compared to the previous year, resulting in a yearly net operating loss of $259,147.

Non-operating items decreased by $122,134 compared to the previous year.

BUDGETARY HIGHLIGHTS

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	Original	Amended	Actual
Revenues	$ 1,590,000	1,626,000	1,102,200
Expenses	(1,532,200)	(1,947,200)	(1,279,821)
Net income	**$ 57,800**	**(321,200)**	**(177,621)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

East Duchesne Culinary Water Improvement District's Capital Assets (net of depreciation)

	Current Year	Previous Year	Change
Net Capital Assets:			
Water rights	$ 52,923	52,923	-
Water system	2,635,508	2,807,709	(172,201)
Construction in progress	3,599,624	3,698,365	(98,741)
Total	**$ 6,288,055**	**6,558,997**	**(270,942)**

Additional information regarding capital assets may be found in the notes to financial statements.

East Duchesne Culinary Water Improvement District's Outstanding Debt

	Current Year	Previous Year	Change
CIB Revenue Bond 2023	$ 3,362,000	3,470,000	(108,000)
Total	**$ 3,362,000**	**3,470,000**	**(108,000)**

Additional information regarding capital assets may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the District are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Maeser Water Improvement District's finances for all those with an interest in the District's finances. If you have any questions concerning any information provided in this report or requests for additional financial information, contact the East Duchesne Culinary Water Improvement District, Attn: District Manager, P.O. Box 319, Duchesne, UT 84066.

BASIC FINANCIAL STATEMENTS

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East Duchesne Culinary Water Improvement District

STATEMENT OF NET POSITION - PROPRIETARY FUND

December 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Current assets:		
Cash and cash equivalents	$	2,869,449
Accounts receivable, net		39,974
Total current assets		2,909,423
Non-current assets:		
Restricted cash and cash equivalents		976,794
Capital assets:		
Not being depreciated		3,652,547
Net of accumulated depreciation		2,635,508
Total non-current assets		7,264,849
Total assets		10,174,272
Deferred outflows of resources - pensions		26,959
Total assets and deferred outflows of resources		**10,201,231**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:		
Liabilities:		
Current liabilities:		
Accounts payable		54,060
Customer deposits		5,750
Compensated absences		5,261
Revenue bonds, current portion		109,000
Total current liabilities		174,072
Non-current liabilities:		
Revenue bonds, long-term		3,253,000
Net pension liability		14,594
Total non-current liabilities		3,267,594
Total liabilities		3,441,666
Deferred inflows of resources - pensions		55
Total liabilities and deferred inflows of resources		**3,441,721**
NET POSITION:		
Net investment in capital assets		2,926,055
Restricted		23,972
Unrestricted		3,809,484
Total net position		**6,759,511**
Total liabilities, deferred inflows of resources, and net position	**$**	**10,201,231**

The notes to the financial statements are an integral part of this statement.

East Duchesne Culinary Water Improvement District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

For the Year Ended December 31, 2025

Operating income:	
Charges for sales and service	$ 938,422
Connection fees	40,800
Other operating income	6,752
Total operating income	**985,974**
Operating expenses:	
Water purchase and treatment	474,796
Personnel services	214,775
Utilities	12,153
Repair & maintenance	38,425
Other supplies & expenses	325,346
Insurance expense	7,426
Depreciation expense	172,201
Total operating expense	**1,245,121**
Net operating income (loss)	**(259,147)**
Non-operating income (expense):	
Interest income	116,226
Interest on long-term debt	(34,700)
Total non-operating income (expense)	**81,526**
Change in net position	**(177,621)**
Net position - beginning	6,937,131
Net position - ending	**$ 6,759,511**

The notes to the financial statements are an integral part of this statement.

East Duchesne Culinary Water Improvement District

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

Cash flows from operating activities:	
Cash received from customers - service	$ 974,741
Cash paid to suppliers	(979,715)
Cash paid to employees	(208,361)
Net cash provided (used) in operating activities	**(213,334)**
Cash flows from capital and related financing activities:	
Cash from long-term debt issued	-
Cash payments for capital assets	(34,982)
Cash payments for long-term debt	(108,000)
Cash payments for long-term debt interest	(34,700)
Net cash provided (used) in capital and related financing activities	**(177,682)**
Cash flows from investing activities:	
Cash received from interest earned	116,226
Net cash provided (used) in investing activities	**116,226**
Net increase (decrease) in cash	**(274,790)**
Cash balance - beginning	4,121,033
Cash balance - ending	**$ 3,846,244**
Cash reported on the statement of net position:	
Cash and cash equivalents	$ 2,869,449
Non-current restricted cash	976,794
Total cash and cash equivalents	**$ 3,846,244**

The notes to the financial statements are an integral part of this statement.

East Duchesne Culinary Water Improvement District

STATEMENT OF CASH FLOWS (continued)

For the Year Ended December 31, 2025

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:		
Net operating income (expense)	**$**	**(259,147)**
Adjustments to reconcile operating income or (loss) to net cash provided (used)in operating activities:		
Depreciation and amortization		172,201
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in receivables		(11,682)
(Increase) decrease in net pension asset		-
(Increase) decrease in deferred outflows of resources		(1,513)
Increase (decrease) in payables		(123,662)
Increase (decrease) in customer deposits		450
Increase (decrease) in compensated absences		5,261
Increase (decrease) in net pension liability		4,729
Increase (decrease) in deferred inflows of resources		29
Net cash provided (used) in operating activities	**$**	**(213,334)**

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

East Duchesne Culinary Water Improvement District (the District) is a special service district located in Duchesne County, Utah, organized for the purpose of providing culinary water service to the residents of the District. The District operates under the direction of a five-member Board of Trustees.

The District has no component units and is not a component unit of another entity.

1-B. Financial statements

The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise 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 cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

1-C. Measurement focus, basis of accounting and financial statement presentation

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net assets. Thus, net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

1-D. Assets, Liabilities, and Net Position or Equity

1-D-*1. Deposit and Investments*

The District'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 District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Treasurer's Investment Fund.

Investments for the District are reported at fair value. The State Treasurer's Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the value of the pool shares.

1-D-*2. Receivables and payables*

Monthly reviews are made of all past due accounts. Shut-off notices are issued on past due active accounts and the District has lien capability on unpaid accounts. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount (if any) is estimated based upon accounts receivable that are past due.

1-D-*3. Inventories and prepaid items*

Inventories are valued at cost using the first-in/first-out method. The inventory consists of pipes, fittings and pumps used in the operation of the District.

At various times, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-D-*4. Restricted Assets*

Certain proceeds of the District’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted net position on the statement of net position because their use is limited by applicable bond covenants.

1-D-*5. Capital assets*

All purchased capital assets, which include property, plant, and equipment, are carried at cost or estimated historical cost. Contributed capital assets are valued at estimated fair market value on the date received. Capital assets are defined as items with a significant initial individual cost and an expected life of more than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction phase of capital assets, if directly related to the construction, is included as part of the capitalized amount of the assets constructed. There was no interest capitalized during the current year.

1-D-*5. Capital assets*

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water system	40-50
Buildings	15-40
Equipment	5-8

1-D. Assets, Liabilities, and Net Position or Equity (continued)

1-D-*6. Compensated absences*

The District's employees accrue vacation leave such that a liability for compensated absences may be carried over from one year to the next. The liability for compensated absences at year end was $5,261.

1-D-7*. Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include 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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include 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 so will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows of resources related to pensions as required by GASB 68.

1-D-8*. Long-term obligations*

Long-term debt and other long-term obligations are reported as liabilities.

1-D-9*. 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) and additions to/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.

1-D-10*. Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

1-D-11. *Equity*

The difference between total assets and total liabilities represents equity or net position. Net position presented in the statement of net position is subdivided into three categories: net position invested in capital assets; restricted net position; and unrestricted net position.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary information

An annual operating budget is adopted by the District's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing.

A capital budget is also adopted by the board of trustees which identifies planned capital asset additions and requirements for long-term debt service principal payments, as well as the plan for financing these items.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of December 31, 2025, consist of the following:

	Fair Value
Demand debosits - checking	$ 65,933
Savings	9,234
Investments - PTIF	3,771,077
Total cash	**$ 3,846,244**

Cash equivalents and investments listed above are classified in the accompanying statement of net position as follows:

Cash and cash equivalents (current)	$ 2,869,449
Restricted cash and cash equivalents (non-current)	976,794
Total cash and cash equivalents	**$ 3,846,244**

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7.

UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state.

3-A. Deposits and investments (continued)

PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The District maintains monies not immediately needed for expenditure in PTIF accounts.

Fair value of investments
The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At December 31, 2025, the District had $3,771,077 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk
The District maintains no investment policy containing any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The District's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the District are available immediately.

Credit risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. None of the District’s demand and savings deposits are insured.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-D-2. Receivables as of year-end for the District's funds are shown below:

Customers, current	$ 41,228
Less allowance for uncollectibles	(1,254)
Net accounts receivable	**$ 39,974**

3-C. Capital assets

A summary of capital asset activity is listed below:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Water rights/stock	$ 52,923	-	-	52,923
Construction in progress	3,698,365	34,982	133,723	3,599,624
Total capital assets, not being depreciated	**3,751,288**	**34,982**	**133,723**	**3,652,547**
Capital assets, being depreciated:				
Water system	5,572,192	-	-	5,572,192
Machinery and equipment	150,476	-	-	150,476
Total capital assets, being depreciated	**5,722,668**	**-**	**-**	**5,722,668**
Less accumulated depreciation for:				
Water system	2,863,846	148,761	-	3,012,608
Machinery and equipment	51,113	23,440	-	74,552
Total accumulated depreciation	**2,914,959**	**172,201**	**-**	**3,087,160**
Total capital assets being depreciated, net	**2,807,709**	**(172,201)**	**-**	**2,635,508**
Business-type activities capital assets, net	**$ 6,558,997**	**(137,220)**	**133,723**	**6,288,055**

3-D. Long-term liabilities

	Original Principal	% Rate	12/31/2024	Additions	Reductions	12/31/2025	Due Within One Year
Business-type activities:							
CIB Revenue Bond 2023							
Matures 12/31/52	$ 3,683,000	1.00	3,470,000	-	108,000	3,362,000	109,000
Total business-type activity long-term liabilities			**3,470,000**	**-**	**108,000**	**3,362,000**	**109,000**

All bonds are revenue bonds secured by the revenues of the water system. Bonds were issued to finance the construction of the water system. Some bonds require 125% debt service coverage. Revenue bond debt service requirements to maturity are as follows:

	Principal	**Interest**	**Total**
2026	$ 109,000	33,620	142,620
2027	110,000	32,530	142,530
2028	111,000	31,430	142,430
2029	112,000	30,320	142,320
2030	114,000	29,200	143,200
2031 - 2035	585,000	128,700	713,700
2036 - 2040	614,000	98,890	712,890
2041 - 2045	646,000	67,550	713,550
2046 - 2050	678,000	34,620	712,620
2051 - 2055	283,000	4,250	287,250
Total	**$ 3,362,000**	**491,110**	**3,853,110**

<u>Other long-term liabilities</u>

The District reported a net pension liability of $14,594 at year-end, which is an increase from the prior year of $9,865. See Note 4-B for additional details.

<u>Water rights lease</u>

On January 1, 2015, the District entered into a five-year water rights lease with Hanna Water and Sewer District requiring five annual payments of $29,726. The lease payment made in fiscal year 2025 was $29,726.

<u>Water purchase commitment</u>

In 2016, the District entered into an agreement to purchase water from the Duchesne County Water Conservancy District. Monthly payments are currently $5,301, plus raw water and delivery charges. This agreement will continue through 2055.

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. There have been no significant reductions in insurance coverage compared to the previous year. The District pays an annual premium for this coverage.

4-B. Pension Plans

General information about the Pension Plan

Plan description:
Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust funds:

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

4-B. Pension Plans (continued)

Benefits provided:

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

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

* with actuarial reductions
** All past-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.

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

Utah Retirement Systems	Employee Paid	Employer Contribution Rate	Employer rate for 401(k)
Contributory System			
111 - Local Government Div - Tier 2	0.81	14.19	-
Noncontributory System			
15 - Local Government Div - Tier 1	-	15.97	-
Tier 2 DC Only			
211 - Local Government	-	4.19	10.00

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

4-B. Pension Plans (continued)

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

System	Employer Contributions	Employee Contributions
Tier 2 Public Employees System	$ 12,266	629
Total Contributions	**$ 12,266**	**629**

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.

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

At December 31, 2025, we reported a net pension asset of $0 and a net pension liability of $14,594.

	(Measurement Date): December 31, 2024			Proportionate	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Share Dec. 31, 2023	Change (Decrease)
Noncontributory System	$ -	$ 6,735	0.0021240%	0.0035895%	(0.0014655)%
Tier 2 Public Employees System	-	7,859	0.0026351%	0.0007905%	0.0018446%
	$ -	**$ 14,594**			

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

For the year ended December 31, 2025, we recognize pension expense of $15,487.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,411	$ 54
Changes in assumptions	3,182	1
Net difference between projected and pension plan investments	2,531	-
Changes in proportion and difference and proportionate share of contributions	1,569	-
Contributions subsequent to the measurement date	12,266	-
Total	**$ 26,959**	**$ 55**

$12,266 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

4-B. Pension Plans (continued)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	$ 5,363
2026	5,225
2027	(286)
2028	535
2029	1,707
Thereafter	2,093

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	3.5 - 9.5 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

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

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

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

4-B. Pension Plans (continued)

Assets class	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
	Expected Return Arithmetic Basis		
Equity securities	35%	7.01%	2.45%
Debt securities	20%	2.54%	0.51%
Real assets	18%	5.45%	0.98%
Private equity	12%	10.05%	1.21%
Absolute return	15%	4.36%	0.65%
Cash and cash equivalents	0%	0.49%	0.00%
Totals	**100%**		**5.80%**
Inflation			2.50%
Expected arithmetic nominal return			8.30%

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

Discount rate:

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

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85 percent) or 1-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 28,485	6,735	(11,506)
Tier 2 Public Employees System	23,473	7,859	(4,287)
Total	**$ 51,959**	**14,594**	**(15,794)**

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

4-B. Pension Plans (continued)

Defined Contribution Savings Plan:

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.

The District participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan

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

	2025	2024	2023
401(k) Plan			
Employer Contributions	$ -	$ 74	$ 1,729
Employee Contributions	-	-	1,719

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Changes in Assumptions Related to Pensions

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

East Duchesne Culinary Water Improvement District

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

December 31, 2025

Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Noncontributory Retirement System										
Proportion of the net pension liability (asset)	0.0021240%	0.0035895%	0.0073202%	0.0074067%	0.0073438%	0.0071768%	0.0067936%	0.0067347%	0.0064332%	0.0066754%
Proportionate share of the net pension liability (asset)	$ 6,735	$ 8,326	$ 12,538	$ (42,419)	$ 3,767	$ 27,048	$ 50,026	$ 29,507	$ 41,309	$ 37,773
Covered employee payroll	$ -	$ 34,375	$ 79,200	$ 75,450	$ 73,008	$ 70,008	$ 64,380	$ 62,508	$ 59,460	$ 59,460
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	24.22%	15.83%	-56.22%	5.16%	38.64%	77.70%	47.21%	69.47%	63.53%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.02%	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%
Tier 2 Public Employees System										
Proportion of the net pension liability (asset)	0.0026351%	0.0007905%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	$ 7,859	$ 1,539	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 78,077	$ 20,437	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.07%	7.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.44%	89.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively.

East Duchesne Culinary Water Improvement District

SCHEDULE OF CONTRIBUTIONS

December 31, 2025

Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2015	10,982	10,982	$ -	$ 56,628	17.88%
	2016	10,982	10,982	-	59,460	18.47%
	2017	11,545	11,545	-	59,460	18.47%
	2018	11,891	11,891	-	62,508	18.47%
	2019	12,930	12,930	-	64,380	18.47%
	2020	13,485	13,485	-	70,008	18.47%
	2021	13,936	13,936	-	73,008	18.47%
	2022	14,496	14,496	-	75,450	18.47%
	2023	6,716	6,716	-	79,200	18.30%
	2024	-	-	-	-	0.00%
	2025	-	-	-	-	0.00%
Tier 2 Public Employees Systen	2022	$ -	$ -	$ -	$ -	0.00%
	2023	3,020	3,020	-	20,437	14.78%
	2024	12,197	12,197	-	78,077	15.62%
	2025	12,266	12,266	-	83,451	14.70%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.