

East Duchesne Culinary Water Improvement District  
Duchesne County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended December 31, 2023

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East Duchesne Culinary Water Improvement District

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December 31, 2023

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# Aycock, Miles & Associates, CPAs, P.C.

## Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

### Independent Auditors' Report

To the Board of Directors  
East Duchesne Culinary Water Improvement District  
Duchesne, Utah

#### ***Report on the Financial Statements***

##### ***Opinions***

We have audited the accompanying financial statements of the business-type activities, of the East Duchesne Culinary Water Improvement District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of East Duchesne Culinary Water Improvement District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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## Certified Public Accountants

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024, on our consideration of East Duchesne Culinary Water Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Duchesne Culinary Water Improvement District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Duchesne Culinary Water Improvement District's internal control over financial reporting and compliance.

*Aycock, Miles & Associates, CPAs*

Roosevelt, Utah  
May 24, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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East Duchesne Culinary Water Improvement District  
**Management's Discussion and Analysis**  
December 31, 2023

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, 2023

**FINANCIAL HIGHLIGHTS**

- \*Total net position for the District increased by \$509,787.
- \*Unrestricted net position for the District increased by \$1,364,712
- \*Operating revenues decreased by \$856,789
- \*Operating expenses decreased by \$14,419
- \*Net operating income decreased by \$842,369

**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 and 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.

East Duchesne Culinary Water Improvement District  
**Management's Discussion and Analysis**  
December 31, 2023

**FINANCIAL ANALYSIS**

**East Duchesne Culinary Water Improvement District's Net Position**

	Current Year	Previous Year	Change
Current and other assets	\$ 3,847,831	2,269,681	1,578,150
Net capital assets	6,295,475	3,597,372	2,698,103
Deferred outflows of resources	24,445	23,583	862
<b>Total assets and deferred outflows of resources</b>	<b>\$ 10,167,751</b>	<b>5,890,636</b>	<b>4,277,115</b>
Long-term debt	3,577,000	-	3,577,000
Other liabilities	294,002	46,339	247,663
Deferred inflows of resources	50	57,385	(57,335)
<b>Total liabilities and deferred inflows or resources</b>	<b>3,871,052</b>	<b>103,724</b>	<b>3,767,328</b>
Net position:			
Net investment in capital assets	2,718,475	3,597,372	(878,897)
Restricted	23,972	-	23,972
Unrestricted	3,554,252	2,189,540	1,364,712
<b>Total net position</b>	<b>\$ 6,296,699</b>	<b>5,786,912</b>	<b>509,787</b>

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 \$6,296,699, an increase of \$509,787 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$3,554,252, which represents an increase of \$1,364,712 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.

East Duchesne Culinary Water Improvement District  
**Management's Discussion and Analysis**  
December 31, 2023

**FINANCIAL ANALYSIS (continued)**

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

	Current Year	Previous Year	Change
<b>Operating income:</b>			
Service income	\$ 1,095,244	1,943,121	(847,877)
Other operating income	25,137	34,049	(8,912)
<b>Total operating income</b>	<b>1,120,381</b>	<b>1,977,170</b>	<b>(856,789)</b>
<b>Operating expenses:</b>			
Depreciation expense	155,165	142,677	12,488
Other operating expense	666,009	692,916	(26,907)
<b>Total operating expense</b>	<b>821,174</b>	<b>835,593</b>	<b>(14,419)</b>
<b>Net operating income (loss)</b>	<b>299,207</b>	<b>1,141,576</b>	<b>(842,369)</b>
<b>Non-operating items:</b>			
Revenues	241,374	28,292	213,082
Expenses	(30,794)	-	(30,794)
<b>Total non-operating items</b>	<b>210,580</b>	<b>28,292</b>	<b>182,288</b>
<b>Net income (loss)</b>	<b>\$ 509,787</b>	<b>1,169,868</b>	<b>(660,081)</b>

Service income decreased by \$847,877 over the previous year. Other operating income decreased by \$8,912.

Depreciation expense is the largest single element of operating costs and increased from the amount of the previous year by \$12,488. Other operating expenses decreased by \$26,907 compared to the previous year, resulting in a yearly net operating income of \$299,207.

Non-operating items increased by \$182,288 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	\$ 1,556,000	1,556,000	1,361,755
Expenses	(1,039,100)	(1,039,100)	(851,968)
<b>Net income</b>	<b>\$ 516,900</b>	<b>516,900</b>	<b>509,787</b>

East Duchesne Culinary Water Improvement District  
**Management's Discussion and Analysis**  
 December 31, 2023

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	Current Year	Previous Year	Change
<b>Net Capital Assets:</b>			
Water rights	\$ 52,923	52,923	-
Water system	2,959,153	2,716,899	242,254
Construction in progress	3,283,399	827,549	2,455,850
<b>Total</b>	<b>\$ 6,295,475</b>	<b>3,597,372</b>	<b>2,698,103</b>

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: JoAnn Evans, 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, 2023

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:**

Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,270,946
Accounts receivable, net	160,037
Total current assets	<u>2,430,983</u>
Non-current assets:	
Restricted cash and cash equivalents	1,416,848
Capital assets:	
Not being depreciated	3,336,322
Net of accumulated depreciation	2,959,153
Total non-current assets	<u>7,712,323</u>
Total assets	<u>10,143,306</u>
Deferred outflows of resources - pensions	24,445
<b>Total assets and deferred outflows of resources</b>	<b><u><u>10,167,751</u></u></b>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:**

Liabilities:	
Current liabilities:	
Accounts payable	279,264
Customer deposits	2,200
Revenue bonds, current portion	107,000
Total current liabilities	<u>388,464</u>
Non-current liabilities:	
Revenue bonds, long-term	3,470,000
Net pension liability	12,538
Total non-current liabilities	<u>3,482,538</u>
Total liabilities	3,871,002
Deferred inflows of resources - pensions	50
<b>Total liabilities and deferred inflows of resources</b>	<b><u><u>3,871,052</u></u></b>

**NET POSITION:**

Net investment in capital assets	2,718,475
Restricted	23,972
Unrestricted	3,554,252
<b>Total net position</b>	<b><u><u>6,296,699</u></u></b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u><u>\$ 10,167,751</u></u></b>

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, 2023

<b>Operating income:</b>	
Charges for sales and service	\$ 1,070,944
Connection fees	24,300
Other operating income	25,137
<b>Total operating income</b>	<b><u>1,120,381</u></b>
<b>Operating expenses:</b>	
Water purchase and treatment	358,909
Personnel services	143,548
Utilities	10,968
Repair & maintenance	32,780
Other supplies & expenses	115,470
Insurance expense	4,335
Depreciation expense	155,165
<b>Total operating expense</b>	<b><u>821,174</u></b>
<b>Net operating income (loss)</b>	<b><u>299,207</u></b>
<b>Non-operating income (expense):</b>	
Interest income	241,374
Interest on long-term debt	(30,794)
<b>Total non-operating income (expense)</b>	<b><u>210,580</u></b>
<b>Change in net position</b>	<b>509,787</b>
Net position - beginning	<u>5,786,912</u>
<b>Net position - ending</b>	<b><u><u>\$ 6,296,699</u></u></b>

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, 2023

<b>Cash flows from operating activities:</b>	
Cash received from customers - service	\$ 1,002,858
Cash paid to suppliers	(404,159)
Cash paid to employees	(146,559)
<b>Net cash provided (used) in operating activities</b>	<u><b>452,141</b></u>
 <b>Cash flows from capital and related financing activities:</b>	
Cash from long-term debt issued	3,683,000
Cash payments for capital assets	(2,736,675)
Cash payments for long-term debt	(106,000)
Cash payments for long-term debt interest	(30,794)
<b>Net cash provided (used) in capital and related financing activities</b>	<u><b>809,531</b></u>
 <b>Cash flows from investing activities:</b>	
Cash received from interest earned	241,374
<b>Net cash provided (used) in investing activities</b>	<u><b>241,374</b></u>
 <b>Net increase (decrease) in cash</b>	 <b>1,503,046</b>
Cash balance - beginning	<u>2,184,748</u>
<b>Cash balance - ending</b>	<u><b>\$ 3,687,794</b></u>
 <b>Cash reported on the statement of net position:</b>	
Cash and cash equivalents	\$ 3,687,794
<b>Total cash and cash equivalents</b>	<u><b>\$ 3,687,794</b></u>

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, 2023

**Reconciliation of Operating Income to Net Cash  
Provided (Used) in Operating Activities:**

<b>Net operating income (expense)</b>	<b>\$ 299,207</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	155,165
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in receivables	(117,523)
(Increase) decrease in net pension asset	42,419
(Increase) decrease in deferred outflows of resources	(862)
Increase (decrease) in payables	118,531
Increase (decrease) in net pension liability	12,538
Increase (decrease) in deferred inflows of resources	(57,335)
	(57,335)
<b>Net cash provided (used) in operating activities</b>	<b><u><u>\$ 452,141</u></u></b>

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

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**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 and sewer 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 out flows 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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**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 is estimated based upon accounts receivable that are past due.

Property taxes are collected by Duchesne County for the District. Taxes are levied as of January 1 on property values assessed as of the same date and are due on November 1 and delinquent after November 30 each year, at which time they become liens if not paid. All property tax receivables are considered collectible.

**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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

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

**1-D-5. Capital assets (continued)**

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

<u>Assets</u>	<u>Years</u>
Water system	40-50
Buildings	15-40
Equipment	5-8

**1-D-6. Compensated absences**

The District's policy regarding vacation leave and sick leave is such that no liability for compensated absences carries over from one year to the next. Thus, no liability for compensated absences exists at year end.

**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; restrict net position; and unrestricted net position.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2023

**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, 2023, consist of the following:

	Fair Value
Demand deposits - checking	\$ (37,025)
Savings	9,180
Investments - PTIF	3,715,640
<b>Total cash</b>	<b>\$ 3,687,794</b>

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

Cash and cash equivalents (current)	\$ 2,270,946
Restricted cash and cash equivalents (non-current)	1,416,848
<b>Total cash and cash equivalents</b>	<b>\$ 3,687,794</b>

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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**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, 2023, the District had \$3,715,640 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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**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	\$ 170,516
Less allowance for uncollectibles	(10,479)
<b>Net accounts receivable</b>	<b><u><u>\$ 160,037</u></u></b>

**3-C. Capital assets**

A summary of capital asset activity is listed below:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Water rights/stock	\$ 52,923	-	-	52,923
Construction in progress	827,549	2,455,850	-	3,283,399
<b>Total capital assets, not being depreciated</b>	<b><u>880,472</u></b>	<b><u>2,455,850</u></b>	<b><u>-</u></b>	<b><u>3,336,322</u></b>
<b>Capital assets, being depreciated:</b>				
Water system	5,275,927	296,265	-	5,572,192
Machinery and equipment	30,452	101,154	-	131,606
<b>Total capital assets, being depreciated</b>	<b><u>5,306,379</u></b>	<b><u>397,419</u></b>	<b><u>-</u></b>	<b><u>5,703,798</u></b>
<b>Less accumulated depreciation for:</b>				
Water system	2,566,323	148,761	-	2,715,085
Machinery and equipment	23,156	6,404	-	29,560
<b>Total accumulated depreciation</b>	<b><u>2,589,479</u></b>	<b><u>155,165</u></b>	<b><u>-</u></b>	<b><u>2,744,644</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>2,716,899</u></b>	<b><u>242,254</u></b>	<b><u>-</u></b>	<b><u>2,959,153</u></b>
<b>Business-type activities capital assets, net</b>	<b><u><u>\$ 3,597,372</u></u></b>	<b><u><u>2,698,103</u></u></b>	<b><u><u>-</u></u></b>	<b><u><u>6,295,475</u></u></b>



East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2023

**3-D. Long-term liabilities**

	Original Principal	% Rate	12/31/2022	Additions	Reductions	12/31/2023	Due Within One Year
<b><u>Business-type activities:</u></b>							
CIB Revenue Bond 2023							
Matures 12/31/52	3,683,000	1.00	-	3,683,000	106,000	3,577,000	107,000
<b>Total business-type activity long-term liabilities</b>			<b>-</b>	<b>3,683,000</b>	<b>106,000</b>	<b>3,577,000</b>	<b>107,000</b>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 107,000	35,770	142,770
2025	108,000	34,700	142,700
2026	109,000	33,620	142,620
2027	110,000	32,530	142,530
2028	111,000	31,430	142,430
2029 - 2033	574,000	140,240	714,240
2034 - 2038	602,000	109,714	711,714
2039 - 2043	633,000	75,180	708,180
2044 - 2048	665,000	41,340	706,340
2049 - 2052	558,000	9,736	567,736
<b>Total</b>	<b>\$ 3,577,000</b>	<b>544,260</b>	<b>4,121,260</b>

**Other long-term liabilities**

The District reported a net pension liability of \$12,538 at year-end, which is an increase from the prior year of \$12,538. See Note 4-B for additional details.

**Water rights lease**

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 2023 was \$29,726.

**Water purchase commitment**

In year 2016, the District committed to purchasing water from Duchesne County Water Conservancy District. The payment is \$4,779 monthly until year 2055.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2023

**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

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](http://www.urs.org).

**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 **
		30 years any age		
		25 years any age*		
Noncontributory System	Highest 3 Years	20 years age 60*	2.0% per year all years	Up to 4%
		10 years age 62*		
		4 years age 65		

\* 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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**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, 2023 are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rate</u>	<u>Employer rate for 401(k)</u>
Contributory System			
111 - Local Government Div - Tier 2	-	16.01	0.18
Noncontributory System			
15 - Local Government Div - Tier 1	-	17.97	-
Tier 2 DC Only			
211 - Local Government	-	6.19	10.00

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

For the fiscal year ended December 31, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 6,716	-
	3,020	-
<b>Total Contributions</b>	<b>\$ 9,736</b>	<b>-</b>

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, 2023, we reported a net pension asset of \$0 and a net pension liability of \$12,538.

	<u>(Measurement Date): December 31, 2022</u>		<u>Proportionate Share</u>	<u>Proportionate Share</u>	<u>Change (Decrease)</u>
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>			
Noncontributory System	\$ -	\$ 12,538	0.0073202%	0.0074067%	(0.0000865)%
	<b>\$ -</b>	<b>\$ 12,538</b>			

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**4-B. Pension Plans (continued)**

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023, we recognize pension expense of \$6,431.

At December 31, 2023, 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	\$ 4,253	\$ -
Changes in assumptions	2,055	50
Net difference between projected and actual pension plan investments	8,270	-
Changes in proportion and difference between and proportionate share of contributions	130	-
Contributions subsequent to the measurement date	9,736	-
<b>Total</b>	<b>\$ 24,444</b>	<b>\$ 50</b>

\$9,736 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, 2022. 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
2023	\$ (1,730)
2024	366
2025	3,322
2026	12,700
2027	-
Thereafter	-

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2023

**4-B. Pension Plans (continued)**

**Actuarial assumptions:**

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.25 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, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption 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, 2022, valuation were based on the results of an actuarial experience study for the five year period ending December, 31, 2021.

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. 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:

<b>Assets class</b>	<b>Expected Return Arithmetic Basis</b>		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	(0.11)%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.17%</b>
	Inflation		2.50%
	Expected arithmetic nominal return		7.67%

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.

East Duchesne Culinary Water Improvement District  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2023

**4-B. Pension Plans (continued)**

**Discount rate:**

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated 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:

<u>System</u>	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 79,017	12,538	(43,009)
<b>Total</b>	<b>\$ 79,017</b>	<b>12,538</b>	<b>(43,009)</b>

**Pension plan fiduciary net position:**

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

**Defined Contribution Savings 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:

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 1,729	\$ 3,960	\$ 3,773
Employee Contributions	1,719	3,960	3,773

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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East Duchesne Culinary Water Improvement District  
**Notes to Required Supplementary Information**  
December 31, 2023

**Changes in Assumptions Related to Pensions**

No changes were made in actuarial assumptions from the prior year's valuation.

East Duchesne Culinary Water Improvement District  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
 December 31, 2023  
 Last 10 Fiscal Years\*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Noncontributory Retirement System</b>									
Proportion of the net pension liability (asset)	0.0073202%	0.0074067%	0.0073438%	0.0071768%	0.0067936%	0.0067347%	0.0064332%	0.0066754%	0.0064421%
Proportionate share of the net pension liability (asset)	\$ 12,538	\$ (42,419)	\$ 3,767	\$ 27,048	\$ 50,026	\$ 29,507	\$ 41,309	\$ 37,773	\$ 27,973
Covered employee payroll	\$ 79,200	\$ 75,450	\$ 73,008	\$ 70,008	\$ 64,380	\$ 62,508	\$ 59,460	\$ 59,460	\$ 56,628
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.83%	-56.22%	5.16%	38.64%	77.70%	47.21%	69.47%	63.53%	49.40%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%

\* 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, 2023  
 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
<b>Noncontributory System</b>	2014	\$ 10,125	\$ 10,125	\$ -	\$ 56,628	17.88%
	2015	10,982	10,982	-	59,460	18.47%
	2016	10,982	10,982	-	59,460	18.47%
	2017	11,545	11,545	-	62,508	18.47%
	2018	11,891	11,891	-	64,380	18.47%
	2019	12,930	12,930	-	70,008	18.47%
	2020	13,485	13,485	-	73,008	18.47%
	2021	13,936	13,936	-	75,450	18.47%
	2022	14,496	14,496	-	79,200	18.30%
	2023	6,716	6,716	-	37,295	18.01%
<b>Tier 2 Public Employees System</b>	2014	\$ 10,125	\$ 10,125	\$ -	\$ 56,628	17.88%

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities 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.

## **Other Government Reports**

# Aycock, Miles & Associates, CPAs, P.C.

## Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

### **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
East Duchesne Culinary Water Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the East Duchesne Culinary Water Improvement District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise East Duchesne Culinary Water Improvement District's basic financial statements, and have issued our report thereon dated May 24, 2024.

#### **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

#### **Compliance**

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

#### **Purpose of this Report**

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

*Aycock, Miles & Associates, CPAs*

Roosevelt, Utah  
May 24, 2024

# Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

58 East 100 North (83-13) • Roosevelt, Utah 84066 • Phone (435) 722-5153 • Fax (435) 722-5095

## Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide

Board of Directors  
East Duchesne Culinary Water Improvement District

### **Report on Compliance**

We have audited East Duchesne Culinary Water Improvement District's compliance with the applicable state compliance requirements described in the State Compliance Audit Guide, issued by the Office of the State Auditor that could have a direct and material effect on the District for the year ended December 31, 2023.

State compliance requirements were tested for the year ended December 31, 2023 in the following areas: budgetary compliance, fund balance, fraud risk assessment, governmental fees, cash management, impact fees, and special and local service district board members.

### **Opinion on Compliance**

In our opinion, East Duchesne Culinary Water Improvement District complied, in all material respects, with the state compliance requirements referred to for the year ended December 31, 2023.

### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide). 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 East Duchesne Culinary Water 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. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to East Duchesne Culinary Water's government programs.

### **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 East Duchesne Culinary Water'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 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 East Duchesne Culinary Water's compliance with the requirements of the government program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

# Aycock, Miles & Associates, CPAs, P.C.

## Certified Public Accountants

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- 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 East Duchesne Culinary Water'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 the East Duchesne Culinary Water'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 East Duchesne Culinary Water'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***

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

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

Our 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 and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Aycock, Miles & Associates, CPAs*

Roosevelt, Utah  
May 24, 2024