



FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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**WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
TABLE OF CONTENTS**

Financial Section:	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position - Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	24
Notes to the Financial Statements	25
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	50
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Virgin River Program.....	51
Schedule of the Proportionate Share of the Net Pension Liability	52
Schedule of Contributions	53
Notes to Required Supplementary Information.....	54

Other Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	56
Schedule of Revenues, Expenses, and Changes in Fund Net Assets - Budget and Actual - Proprietary Fund.....	57
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditor's Report on State Legal Compliance	63
Schedule of State Findings	67

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FINANCIAL SECTION



Independent Auditors' Report

Board of Trustees
Washington County Water
Conservancy District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District (the District), as of and for the year ended December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2022, the District implemented the provisions of GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's 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 the District's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 and analysis, schedule of proportionate share of net pension liability schedule of contributions, and notes to the required supplementary information as listed in the 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of revenues, expenses, and changes in fund balance and net assets – budget and actual for the capital projects and proprietary funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2023 on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

HintonBurdick, PLLC

St. George, Utah
July 26, 2023

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WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Management's Discussion and Analysis

December 31, 2022

This section of Washington County Water Conservancy District's report presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial highlights

- During the year, the District's total net position increased by \$49,739,364 (11.0%).
- The District's total assets and deferred outflows of resources increased by \$74,312,122 (15.2%).
- The District's total long-term liabilities and deferred inflows of resources decreased by \$25,887,151 (-33.5%).
- The District's program revenue decreased by \$4,727,831 (-8.7%).
- The District's general revenue increased by \$4,696,417 (29.0%).
- The District's total expenses increased by \$1,982,983 (10.7%).

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. These statements include all governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other nonexchange revenue.

The *statement of net position* presents information on all of the assets and liabilities of the District, along with the deferred inflows and outflows of resources, with the differences between the two reported as net position. The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, the Special Revenue Fund and the Capital Projects Fund; all of which are major funds.

- **General Fund:** The General Fund is the operating fund of the District. Revenues from tax collections are received into this fund. Expenditures include administrative costs. Fund transfers are made from the General Fund to the other funds of the District.
- **Capital Projects Fund:** The Capital Projects Fund administers payments for construction and improvement of capital facilities. Revenue from impact fees are received into the Capital Projects Fund. Funds are also transferred into this fund from the General Fund.
- **Special Revenue Fund:** The Special Revenue Fund receives federal and state funds used for the maintenance and operation of the Virgin River Resource Management and Recovery Program (VRRMRP). The funding for the projects accounted for in this fund is partially federal and partially state funding. The District's portion of maintenance and operation of the VRRMRP is accounted for in the proprietary fund.

Proprietary funds

Proprietary funds include functions and services that are business type activities and include more detailed information than found in the government-wide financial statements. Proprietary funds can be either enterprise funds or internal service funds. The District uses an enterprise fund, the Water Fund, to account for operations where the intent of the governing body is to recover the costs of providing goods or services to the public on a continuing basis primarily through user charges.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information

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

Government-wide financial analysis

Net position may serve over time as a useful indicator of a government's financial position. The District's total assets and deferred outflows exceeded liabilities and deferred inflows by \$504,774,242 at the close of the most recent fiscal year.

The following is a summary of the District's net position as of December 31, 2022 and 2021:

	Governmental activities		Business-type activities		Combined Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Current and other assets	\$ 235,011,980	\$ 196,432,311	\$ 96,466,875	\$ 86,623,611	\$ 331,478,855	\$ 283,055,922
Capital assets	69,310,802	74,988,170	161,939,357	130,149,596	231,250,159	205,137,766
Total assets	304,322,782	271,420,481	258,406,232	216,773,207	562,729,014	488,193,688
Deferred outflows of resources	487,494	361,775	310,456	659,379	797,950	1,021,154
Long-term liabilities outstanding	65,740	-	43,662,805	52,348,662	43,728,545	52,348,662
Other liabilities	4,145,615	2,835,753	3,126,082	9,066,303	7,271,697	11,902,056
Total liabilities	4,211,355	2,835,753	46,788,887	61,414,965	51,000,242	64,250,718
Deferred inflows of resources	1,412,297	17,202,186	6,340,183	7,817,328	7,752,480	25,019,514
Net position:						
Net investment in capital assets	69,310,802	74,988,170	112,695,404	66,094,338	182,006,206	141,082,508
Restricted	228,927,835	158,582,322	67,439,576	62,979,071	296,367,411	221,561,393
Unrestricted	947,987	18,173,825	25,452,638	19,126,884	26,400,625	37,300,709
Total net position	\$ 299,186,624	\$ 251,744,317	\$ 205,587,618	\$ 148,200,293	\$ 504,774,242	\$ 399,944,610

The largest portion of the District's net position (58.8%) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for capital projects and debt service reserve accounts.

An additional portion of the District's net position (36.1%) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment, net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding.

An additional portion of the District's net position (5.2%) is unrestricted and will be used to meet the District's obligations to county residents, employees, and creditors.

Changes in net position for the fiscal years ended December 31, 2022 and 2021 are outlined below:

	Governmental activities		Business-type activities		Combined Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,551,047	\$ 162,561	\$ 16,703,242	\$ 17,092,235	\$ 18,254,289	\$ 17,254,796
Operating grants and contributions	1,230,041	1,062,399	-	-	1,230,041	1,062,399
Capital grants and contributions	28,192,664	35,839,360	1,751,731	-	29,944,395	35,839,360
General revenues:						
Taxes	15,337,209	13,444,962	-	-	15,337,209	13,444,962
Interest earnings	3,528,028	1,854,999	1,668,453	692,637	5,196,481	2,547,636
Other revenue/(expense)	164,575	-	173,866	183,116	338,441	183,116
Total revenues	<u>50,003,564</u>	<u>52,364,281</u>	<u>20,297,292</u>	<u>17,967,988</u>	<u>70,300,856</u>	<u>70,332,269</u>
Expenses:						
General government	7,501,299	5,374,824	-	-	7,501,299	5,374,824
Water and power utilities	-	-	13,060,193	13,203,685	13,060,193	13,203,685
Total expenses	<u>7,501,299</u>	<u>5,374,824</u>	<u>13,060,193</u>	<u>13,203,685</u>	<u>20,561,492</u>	<u>18,578,509</u>
Increase (Decrease) in net position before transfers	42,502,265	46,989,457	7,237,099	4,764,303	49,739,364	51,753,760
Transfers	<u>(14,664,030)</u>	<u>(7,257,326)</u>	<u>14,664,030</u>	<u>7,257,326</u>	<u>-</u>	<u>-</u>
Increase in net position	27,838,235	39,732,131	21,901,129	12,021,629	49,739,364	51,753,760
Net position, beginning	271,067,043	212,012,186	183,987,215	136,178,664	455,054,258	348,190,850
Prior period adjustment	281,346	-	(300,726)	-	(19,380)	-
Net position, ending	<u>\$ 299,186,624</u>	<u>\$ 251,744,317</u>	<u>\$ 205,587,618</u>	<u>\$ 148,200,293</u>	<u>\$ 504,774,242</u>	<u>\$ 399,944,610</u>

Total net position increased by \$49,739,364 (11.0%) for the year ended December 31, 2022. Key elements of this increase are as follows:

- Capital grants and contributions revenue decreased by \$5,894,965 (-16.4%) resulting primarily from a decrease in the construction industry.
- Operating grants and contributions increased by \$167,642 (15.8%). Funds were received from federal and state sources used to fund the Virgin River Program. Grant funds are also received for water conservation programs and other projects.
- Interest earnings increased \$2,648,845 (104.0%) due to changes in interest rates and investment balances.
- Total charges for services in both governmental activities and business-type activities increased \$999,942 (5.8%). Charges for services were for water and power sales, water development fees, connection fees and other revenue.
- Property taxes increased \$1,892,247 (14.1%).
- Expenses of governmental and business type activities decreased in total compared to prior year. General government expenses increased by \$1,998,545 (37.2%), but business type activities expenses decreased by \$143,492 (-1.1%).

Financial analysis of the District's funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$299,314,554 compared to \$251,744,317 in the prior year. Approximately 5.2% of this total amount, or \$947,987 constitutes unrestricted fund balance which is available for spending. The remaining \$298,366,567 of fund balance is restricted and assigned for future projects.

Governmental funds report the differences between their assets and liabilities as fund balance, which is characterized under the following designations: non-spendable, restricted, committed, assigned, and unassigned. Reservations within the non-spendable, restricted, committed, and assigned designations indicate the portion of the District's fund balances that is not available for appropriation. The unrestricted fund balance consists of designated and undesignated portions. Designations reflect the District's self-imposed limitation of the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the General Fund are required by state law to be appropriated in the following year's budget. Fund balances of the Special Revenue Fund and Capital Projects Fund are restricted by state law to be spent for the purposes of the fund and are not available for spending at the District's discretion.

General Fund budgetary highlights

The final appropriations for the General Fund at year-end, including transfers, decreased the fund balance by \$168,644 to a fund balance of \$28,217,542. Actual revenues of the General Fund were greater than budgeted revenues by \$1,257,958. Actual expenditures were \$1,129,406 less than budgeted expenditures, which was primarily the result of spending less than expected on new project development.

Capital assets and debt administration

Capital assets

The Capital Projects Fund is used to account for the costs incurred in acquiring, constructing and repairing facilities within the District.

Capital assets, net of depreciation at December 31, 2022 and 2021 are outlined below:

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Land & water rights	\$ 22,976,946	\$ 21,650,764	\$ 13,598,492	\$ 12,272,786
Buildings, improvements, furniture & fixtures	9,450,398	9,777,543	41,129,457	41,129,457
Infrastructure	-	-	195,289,539	155,326,344
Equipment	338,721	-	1,601,574	1,353,524
Vehicles	351,240	603,575	981,169	451,060
Projects in progress	39,751,616	45,892,193	850,457	-
Accumulated Depreciation	(3,558,119)	(2,935,905)	(91,553,726)	(80,383,575)
Total Capital Assets, Net	<u>\$ 69,310,802</u>	<u>\$ 74,988,170</u>	<u>\$ 161,896,962</u>	<u>\$ 130,149,596</u>

The District began and completed various projects during 2021 and 2022. Highlights of projects completed in 2022 with corresponding total cost are as follows:

- Warner Valley 3MG Tank: \$6,527,785
- Sand Hollow Culinary Pipeline & 4 Wells: \$6,564,122
- Sand Hollow Well #11: \$631,177
- Sand Hollow Well #13: \$658,360
- Kolob Recreation: \$32,046
- Quail Creek Water Treatment Plant - Filter Upgrade: \$202,684

Accumulating costs in projects in progress decreased from 2021 to 2022, due to the completion and capitalization of some projects. Highlights of projects in progress as of December 31, 2022 and related costs incurred in 2022 for these projects include:

- Ash Creek Pipeline Project: \$7,427,057
- Ash Creek Tributaries Project: \$5,624,380
- Lake Powell Pipeline: \$1,305,791
- Sand Hollow Well #15: \$536,467
- Toquer Dam & Reservoir: \$511,047
- Cottam Well Tank Project: \$4,011,510

Long-term debt

At the end of the current fiscal year the District had total bonded debt outstanding of \$43,517,916 and lease liabilities of \$27,471. The following is a summary of the District's long-term debt as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ -	\$ -
Revenue bonds	43,517,916	52,350,662
Lease liabilities	27,471	-
	<u>\$ 43,545,387</u>	<u>\$ 52,350,662</u>

The District made \$8,830,746 of debt repayments, and \$1,204 in lease service payments. No new debt was issued during the year. Lease liabilities were classified as operating leases in prior years, but meet the criteria and definition of a lease with liability and related right-of-use assets being recorded, under the GASB 87 standard.

The District's financial outlook continues to remain stable. Fitch Ratings has assigned the District's GO bonds and revenue bonds an AA+ rating. Standard and Poor's rated both the GO bonds and the revenue bonds at AA. Water revenue bonds are payable from net revenues of the District's combined water and hydroelectric system. GO bonds are payable from property taxes.

Requests for information

This financial report is designed to provide a general overview of the Washington County Water Conservancy District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the District at 533 E Waterworks Drive, St. George, UT 84770.

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FINANCIAL STATEMENTS

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 230,676,620	\$ 27,416,868	\$ 258,093,488
Investments	1,670,000	-	1,670,000
Receivables (net of allowance)	1,931,623	1,069,309	3,000,932
Prepaid items	3,589	76,134	79,723
Restricted cash and cash equivalents	-	67,439,576	67,439,576
Net pension/OPEB asset	730,148	464,988	1,195,136
Capital assets (net of accumulated depreciation):			
Land	22,976,946	13,598,492	36,575,438
Construction in progress	39,751,616	850,457	40,602,073
Buildings and improvements	6,190,627	-	6,190,627
Furniture & equipment	44,091	524,790	568,881
Infrastructure	-	146,113,203	146,113,203
Vehicles	291,828	829,817	1,121,645
Office equipment	55,694	-	55,694
Right-of-use leased easements	-	22,598	22,598
Total assets	<u>304,322,782</u>	<u>258,406,232</u>	<u>562,729,014</u>
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	487,494	310,456	797,950
Total deferred outflows of resources	<u>487,494</u>	<u>310,456</u>	<u>797,950</u>
Liabilities			
Accounts payable and other current liabilities	4,145,615	410,694	4,556,309
Unearned revenue	-	2,223,920	2,223,920
Interest payable	-	491,468	491,468
Current portion of long-term liabilities	39,444	2,090,894	2,130,338
Noncurrent liabilities:			
Due in more than one year:			
Due in more than one year	26,296	41,571,911	41,598,207
Net pension/OPEB liability	-	-	-
Total liabilities	<u>4,211,355</u>	<u>46,788,887</u>	<u>51,000,242</u>
Deferred inflows of resources			
Deferred inflows related to pensions/OPEB	1,007,504	641,620	1,649,124
Deferred inflows related to leases receivable	404,793	-	404,793
Deferred inflows related to bond premiums	-	5,698,563	5,698,563
Total deferred inflows of resources	<u>1,412,297</u>	<u>6,340,183</u>	<u>7,752,480</u>
Net position			
Net investment in capital assets	69,310,802	112,695,404	182,006,206
Restricted for:			
Water conservancy projects	228,927,835	-	228,927,835
Debt service	-	67,439,576	67,439,576
Unrestricted	947,987	25,452,638	26,400,625
Total net position	<u>\$ 299,186,624</u>	<u>\$ 205,587,618</u>	<u>\$ 504,774,242</u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 7,501,299	\$ 1,551,047	\$ 1,230,041	\$ 28,192,664	\$ 23,472,453	\$ -	\$ 23,472,453
Total governmental activities	7,501,299	1,551,047	1,230,041	28,192,664	23,472,453	-	23,472,453
Business-type activities:							
Water and wastewater	13,060,193	16,703,242	-	1,751,731	-	5,394,780	5,394,780
Total business-type activities	13,060,193	16,703,242	-	1,751,731	-	5,394,780	5,394,780
Total primary government	<u>\$ 20,561,492</u>	<u>\$ 18,254,289</u>	<u>\$ 1,230,041</u>	<u>\$ 29,944,395</u>			
General revenues:							
Taxes:							
Property taxes							
					15,337,209	-	15,337,209
Unrestricted investment earnings							
					3,528,028	1,668,453	5,196,481
Gain on sale of capital assets							
					164,575	173,866	338,441
Transfers							
					(14,664,030)	14,664,030	-
Total general revenues							
					4,365,782	16,506,349	20,872,131
Change in net position							
					27,838,235	21,901,129	49,739,364
Net position - beginning							
					271,067,043	183,987,215	455,054,258
Prior period adjustments							
					281,346	(300,726)	(19,380)
Net position - ending							
					<u>\$ 299,186,624</u>	<u>\$ 205,587,618</u>	<u>\$ 504,774,242</u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Virgin River Program	Capital Projects Fund	Total Governmental Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 30,142,599	\$ 1,755,856	\$ 198,778,165	\$ 230,676,620
Investments	1,670,000	-	-	1,670,000
Accounts receivable	78,305	-	7,178	85,483
Due from other government units	1,441,347	-	-	1,441,347
Leases receivable	404,793	-	-	404,793
Prepaid expenses	2,348	-	1,241	3,589
Total current assets	<u>33,739,392</u>	<u>1,755,856</u>	<u>198,786,584</u>	<u>234,281,832</u>
 Total assets	 <u><u>\$ 33,739,392</u></u>	 <u><u>\$ 1,755,856</u></u>	 <u><u>\$ 198,786,584</u></u>	 <u><u>\$ 234,281,832</u></u>
Liabilities				
Accounts payable	\$ 125,639	\$ 351,029	\$ 3,063,835	\$ 3,540,503
Accrued wages and benefits	(19,477)	9,538	28,469	18,530
Retainage payable	-	-	574,687	574,687
Customer deposits	10,895	-	1,000	11,895
Total liabilities	<u>117,057</u>	<u>360,567</u>	<u>3,667,991</u>	<u>4,145,615</u>
Deferred inflows of resources				
Unearned lease revenues	404,793	-	-	404,793
Total deferred inflows of resources	<u>404,793</u>	<u>-</u>	<u>-</u>	<u>404,793</u>
Fund balances				
Nonspendable:				
Prepays	2,348	-	1,241	3,589
Restricted for:				
Capital projects	-	-	195,117,352	195,117,352
Assigned to:				
Capital projects	32,136,355	-	-	32,136,355
Public works	278,839	1,395,289	-	1,674,128
Unassigned	800,000	-	-	800,000
Total fund balances	<u>33,217,542</u>	<u>1,395,289</u>	<u>195,118,593</u>	<u>229,731,424</u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 33,739,392</u></u>	<u><u>\$ 1,755,856</u></u>	<u><u>\$ 198,786,584</u></u>	<u><u>\$ 234,281,832</u></u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2022

Total fund balances governmental funds		\$ 229,731,424
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	72,868,921	
Accumulated depreciation	(3,558,119)	
		69,310,802

Net OPEB asset is not an available resource and, therefore is not reported in the funds.	730,148
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(65,740)	
Net pension/OPEB liability	-	
		(65,740)

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:

Deferred outflows	487,494	
Deferred inflows	(1,007,504)	
		(520,010)

Net position of governmental activities		<u><u>\$ 299,186,624</u></u>
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The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Virgin River Program	Capital Projects Fund	Total Governmental Funds
Revenues				
Property tax	\$ 15,164,018	\$ -	\$ -	\$ 15,164,018
Impact fees	-	-	27,783,674	27,783,674
Interest	710,729	3,194	2,814,105	3,528,028
Other revenues	626,857	2,782,337	208,990	3,618,184
Total revenues	<u>16,501,604</u>	<u>2,785,531</u>	<u>30,806,769</u>	<u>50,093,904</u>
Expenditures				
Current:				
Capital expenditures	1,242,925	128,501	18,647,933	20,019,359
Public education	69,869	59,242	-	129,111
Payroll & benefits	2,244,000	107,962	1,115,484	3,467,446
Audit & accounting	45,976	-	-	45,976
Telephone	34,979	975	3,536	39,490
Insurance & bond	13,610	-	-	13,610
Travel & training	77,736	1,041	10,820	89,597
Office	(40,044)	15,413	-	(24,631)
Miscellaneous	36,552	234,870	1,075,328	1,346,750
Legal	1,278,887	-	732,867	2,011,754
Auto expenses	12,635	-	10,384	23,019
Board expenses	7,513	-	-	7,513
RDA property taxes	186,166	-	-	186,166
Engineering & maintenance	229,731	59,493	1,710,135	1,999,359
Environmental	-	1,983,664	52,992	2,036,656
Conservation	9,002	-	-	9,002
Utilities	31,717	26,759	70,838	129,314
Building maintenance	36,055	-	-	36,055
Total expenditures	<u>5,517,309</u>	<u>2,617,920</u>	<u>23,430,317</u>	<u>31,565,546</u>
Excess of revenues over expenditures	<u>10,984,295</u>	<u>167,611</u>	<u>7,376,452</u>	<u>18,528,358</u>
Other financing sources (uses)				
Transfers in	-	-	5,000,000	5,000,000
Transfers out	(6,152,939)	-	-	(6,152,939)
Total other financing sources (uses)	<u>(6,152,939)</u>	<u>-</u>	<u>5,000,000</u>	<u>(1,152,939)</u>
Net change in fund balances	4,831,356	167,611	12,376,452	17,375,419
Fund balances, beginning of year	28,386,186	1,227,678	182,439,210	212,053,074
Prior period adjustment	-	-	302,931	302,931
Fund balances, end of year	<u>\$ 33,217,542</u>	<u>\$ 1,395,289</u>	<u>\$ 195,118,593</u>	<u>\$ 229,731,424</u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 17,375,419
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Governmental funds report capital outlays as expenditures. However, in the

statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.

Capital outlay	23,908,807	
Depreciation expense	<u>(339,598)</u>	
		23,569,209

Governmental funds do not report transfers of capital assets to other funds as revenues or expenditures. However, in the statement of activities, the donation of capital assets is reported as a transfer.	(13,508,514)
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Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.	(220,009)
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	254,790
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Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Pension/OPEB contributions	467,014	
Pension/OPEB expense	<u>(99,674)</u>	
		<u>367,340</u>

Change in net position of governmental activities	<u>\$ 27,838,235</u>
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The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position
Proprietary Funds
December 31, 2022

	<u>Proprietary Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 27,416,868
Receivables (net of allowance)	1,069,309
Prepaid expenses	76,134
Total current assets	<u>28,562,311</u>
Restricted assets:	
Restricted cash	<u>67,439,576</u>
Total restricted assets	<u>67,439,576</u>
Noncurrent assets:	
Net pension/OPEB asset	464,988
Land & water rights	13,598,492
Construction in progress	850,457
Infrastructure	236,418,996
Equipment and other capital assets	1,601,574
Vehicles	981,169
Right-of-use leased easements	42,396
Accumulated depreciation & amortization	<u>(91,553,727)</u>
Total noncurrent assets	<u>162,404,345</u>
Total assets	<u>258,406,232</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions/OPEB	<u>310,456</u>
Total deferred outflows of resources	<u>310,456</u>
	(continued)

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position, Continued
Proprietary Funds
December 31, 2022

	<u>Proprietary Fund</u>
Liabilities	
Current liabilities:	
Accounts payable	240,598
Accrued liabilities	156,096
Customer deposits	14,000
Accrued interest payable	491,468
Current portion of long-term debt	2,090,894
Total current liabilities	<u>2,993,056</u>
Noncurrent liabilities (net of current portion):	
Unearned revenue	2,223,920
Compensated absences	117,415
Bonds payable	43,517,919
Lease liabilities	27,471
Net pension/OPEB liability	-
Less current portion	<u>(2,090,894)</u>
Total noncurrent liabilities	<u>43,795,831</u>
Total liabilities	<u>46,788,887</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	641,620
Debt issue Premium	5,698,563
Total deferred inflows of resources	<u>6,340,183</u>
Net Position	
Net investment in capital assets	112,695,404
Restricted	67,439,576
Unrestricted	25,452,638
Total net position	<u>\$ 205,587,618</u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Proprietary Fund</u>
Operating revenues	
Power sales	\$ 600,709
Water sales (net of rebate)	14,831,401
Water development & connection fees	46,086
Other charges and fees	<u>140,170</u>
Total operating revenues	<u>15,618,366</u>
Operating expenses	
Depreciation	5,958,168
Amortization	406
Operations & maintenance	1,344,582
Payroll & benefits	1,866,989
Insurance & bonds	128,785
Office expenses	1,839
Building maintenance	976,702
Utilities	874,766
Water fees	2,696
Telephone	34,726
Auto expenses	115,844
Service charges	209,303
Miscellaneous	677,715
Travel and training	<u>34,906</u>
Total operating expenses	<u>12,227,427</u>
Operating income (loss)	<u>3,390,939</u>
	(Continued)

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position, Continued
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Proprietary Fund</u>
Non-operating revenues (expenses)	
Other income	12,700
Gain (loss) on sale of capital assets	173,866
Special assessment	1,072,176
Development surcharge	1,751,731
Interest income	1,668,453
Interest expense	<u>(832,766)</u>
Total non-operating revenue (expense)	<u>3,846,160</u>
Income (loss) before contributions and transfers	<u>7,237,099</u>
Contributions and transfers:	
Capital Contribution	13,511,091
Transfers in	1,152,939
Transfers out	<u>-</u>
Total contributions & transfers	<u>14,664,030</u>
Change in net position	21,901,129
Net position, beginning of year	183,987,215
Prior period adjustment	(300,726)
Net position, end of year	<u><u>\$ 205,587,618</u></u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	<u>Proprietary Fund</u>
Cash flows from operating activities:	
Cash received from customers, service fees	\$ 16,360,402
Cash received from customers, other	140,170
Cash paid to suppliers	(4,554,615)
Cash paid to employees	<u>(2,027,898)</u>
Net cash flows from operating activities	<u>9,918,059</u>
Cash flows from noncapital financing activities:	
Proceeds/payments (to)/from other funds	372,118
Transfers (to)/from other funds	1,152,939
Operating grants	<u>12,700</u>
Net cash flows from noncapital financing activities	<u>1,537,757</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,352,574)
Principal paid on bonds	(8,830,743)
Principal paid on capital lease	(1,204)
Interest paid	(2,083,914)
Special assessments	1,072,176
Development surcharge	<u>1,751,731</u>
Net cash flows from capital and related financing activities	<u>(11,444,528)</u>
Cash flows from investing activities:	
Proceeds from sale of asset	562,173
Interest on investments	<u>1,668,453</u>
Net cash flows from investing activities	<u>2,230,626</u>
Net change in cash and cash equivalents	2,241,914
Cash and cash equivalents, including restricted cash, beginning of year	<u>92,614,531</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 94,856,445</u></u>
Reconciliation of operating income to net cash flows from operating activities:	
Net operating income (loss)	\$ 3,390,939
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation/amortization	5,958,168
Employer pension/OPEB contributions	(204,736)
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	1,021,771
(Increase)/decrease in prepaids	(28,638)
Increase/(decrease) in payables	(123,707)
Increase/(decrease) in accrued liabilities	43,827
Increase/(decrease) in unearned revenue	<u>(139,565)</u>
Net cash flows from operating activities	<u><u>\$ 9,918,059</u></u>

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 1. Summary of Significant Accounting Policies

The Washington County Water Conservancy District (the District) prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies of the District are described in subsequent sections of this note.

Reporting Entity

The District was organized by the 5th Judicial District for Washington County, State of Utah, and the seven board members were appointed by the Washington County Commissioners. The purpose of the District is to provide for water conservation within Washington County. Activities of the District include identification of possible future water storage sites and the purchase and construction of such facilities. The District is an independent reporting entity and is not a component unit of any other government. The Board establishes District policies, approves the budget, is responsible for fiscal matters, is authorized to issue bonds, incur debt, and to levy ad valorem taxes.

All funds, including all financial activities over which the Board has financial accountability, are included in this report. The District's financial reporting entity is comprised of all funds of the District, which constitute the primary government.

In determining the financial reporting entity, the District complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. The District has no component units.

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from business- type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for each fund category (governmental and proprietary). Major individual governmental funds are reported as separate columns in the fund financial statements. The District reports the following major governmental funds:

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 1. Summary of Significant Accounting Policies, Continued

- The *General fund* is the District's main operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Capital projects fund* accounts for financial resources to be used for the acquisition and improvement of sites, construction and remodel of major capital facilities.
- The *Virgin River program fund* is a special revenue fund and accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Additionally, the District reports their power and water production, storage and distribution operations as a proprietary fund.

Measurement focus, basis of accounting, and financial statement presentation

The *government- wide and proprietary fund financial statements* are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues include activities that are generated through the sales of water or power while nonoperating revenues include activities that have the characteristics of nonexchange transactions and primarily include payment by cities that are not related to sales and investment earnings. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Cash, Deposits and Investments

Cash includes demand deposits with banks. Deposits are not collateralized nor are they required to be by State statute. State law requires that the District follow the requirements of the State Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law requires the depositing of District funds in a "qualified depository." The Act

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 1. Summary of Significant Accounting Policies, Continued

defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah State Commissioner of Financial Institutions as meeting the requirements of the Act. The Act also defines the type of investments allowable which include demand deposits and time certificates of deposit of "qualified" depositories of the State of Utah, repurchase agreements with "qualified" depositories, bonds or other evidence of indebtedness of the U.S. Government, investment pools with the Utah State Treasurer, and commercial paper of qualifying companies. Investments are stated at cost.

Capital Assets

Capital assets, which include property, water rights, structures and equipment, are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Donated fixed assets are valued at their estimated fair value on the date donated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 40 years
Water Systems	40 - 50 years
Hydroelectric Plants & Components	35 years
Furniture, Fixtures & Equipment	5 - 15 years

Compensated Absences

The District accrues unpaid annual time off, when earned by the employee. All accrued leave at December 31, 2022 was recorded as a long term liability in proprietary funds and in the governmental funds for the government wide statement of net position.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business- type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amounts of the debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Classifications

In the government-wide financial statements, net assets are displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Restricted net position - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Unrestricted net position - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental fund equity is classified as fund balance. Fund balance is displayed in classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (governing board); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose; these amounts are reported only in the general fund.

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 have been determined on the same basis as they are reported by Utah Retirement Systems Pension Plan (URS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item qualifying as deferred outflows of resources, related to pensions. In addition to liabilities, the financial statements will sometimes report a

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 1. Summary of Significant Accounting Policies, Continued

separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has three items qualifying as deferred inflows of resources, related to pensions, bond premiums, and leases receivable.

Budgetary Data

The District adopts an annual budget for governmental and business-type funds. Once adopted, the budget can be amended by subsequent board action. Budgets are presented on the modified accrual basis of accounting for all governmental funds. The level by which expenditures may not legally exceed appropriations is the total budget of a given fund.

Property Taxes

The property taxes of the District are levied, collected, and distributed by Washington County as required by Utah State law. Utah statutes established the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 1 to September 15 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30. Penalties for delinquent taxes is the greater of 2.5% or \$10 for each parcel. The penalty will be reduced to the greater of 1% or \$10 if all delinquent taxes are paid on or before January 31. If delinquent taxes are paid after January 31 these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1 until the date paid. If in May of the fifth year the taxes remain delinquent, the County advertises and sells the property at a tax sale. Therefore, property taxes are ultimately collectible and no allowance for doubtful accounts is considered necessary. As of December 31, 2, all real property was assessed at \$35,088,394,461.

New Pronouncements

For the year ended December 31, 2022, the District implemented the provisions of GASB Statement No. 87, Leases. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District has reviewed the impact of the new standard and noted no material impact on beginning net position for the year ending December 31, 2022.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

Note 3. Deposits and Investments

The District pools the cash and cash equivalents of the various funds into a number of demand and interest-bearing accounts in the custody of the District Treasurer.

Custodial Credit Risk-Deposits - The District maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. No deposits are collateralized and collateralization is not required by state statute.

Custodial Credit Risk-Investments - All investment securities are held in a qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Utah Money Management Council. Investments at December 31, 2021 consisted of the following:

	<u>Carrying Amount</u>	<u>Market Value</u>
Utah Public Treasurer's Investment Fund	\$ 294,675,316	\$ 294,351,023
Governmental Bonds	1,670,000	1,670,000
Total Cash Deposits	<u>30,857,748</u>	<u>30,857,748</u>
Total Cash and Investments	<u><u>\$ 327,203,064</u></u>	<u><u>\$ 326,878,771</u></u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 3. Deposits and Investments, Continued

Presented by:

General Fund	\$ 31,812,599
Virgin River Program	1,755,856
Capital Projects Fund	198,778,165
Enterprise Fund	94,856,444
Total	<u>\$ 327,203,064</u>

The Utah State Treasurer's Office operates the Utah Public Treasurer's Investment Fund (PTIF). Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any gains or losses on investments. The PTIF is available for investment funds administrated by any Utah Public Treasurer.

Interest Rate Risk-Investments - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. In addition to demand deposits, the District holds \$1,670,000 in Governmental Bonds listed above that are held by their Trustee.

Note 4. Accounts Receivable

Accounts receivable of the Enterprise Fund is from power and water sales. The Power Sales (totaling \$600,709) are to Dixie Power REA and Hurricane City, and are made under a contract dated May 10, 1984, and most recently amended with effective dates from January 1, 2019 to January 1, 2029. The contract specifies that power generated be sold at five cents per kilowatt hour. Dixie Power REA purchases all power produced by the Quail Creek Hydroelectric plant and Hurricane City purchases all power generated by the Pah Tempe Plant. The water sales (totaling \$14,831,394) arise from individual contracts to various municipalities and others. The Enterprise Fund accounts receivable balance at December 31, 2022 consisted of the following:

<u>Customer</u>	<u>Amount</u>	<u>Type</u>
Dixie Power	\$ 114,227	Power
Hurricane City	451,517	Power & Water
St. George City	216,915	Water
City of Washington	140,904	Water
Other	145,746	Water
Total	<u>\$ 1,069,309</u>	

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 5. Due from Other Governmental Units

The amount due from other governmental units consists of property taxes collected for the District by Washington County but unremitted as of December 31, 2022 as well as uncollected property taxes which are also recorded as deferred revenue.

Note 6. Capital Assets

Capital asset activity as of December 31, 2022 consisted of the following:

	12/31/21 Balance	Additions	Retirement	Transfers	12/31/22 Balance
Governmental Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	\$ 21,683,764	\$ 1,293,182	\$ -	\$ -	\$ 22,976,946
Projects in Progress	30,921,636	22,450,214	(109,144)	(13,511,090)	39,751,616
Total Non-Depreciable Assets	<u>52,605,400</u>	<u>23,743,396</u>	<u>(109,144)</u>	<u>(13,511,090)</u>	<u>62,728,562</u>
Depreciable Capital Assets:					
Buildings & Improvements	8,975,367	-	-	-	8,975,367
Furniture & Fixtures	475,031	-	-	-	475,031
Office Equipment	338,721	-	-	-	338,721
Vehicles	421,148	276,293	(346,201)	-	351,240
Total Depreciable Assets	<u>10,210,267</u>	<u>276,293</u>	<u>(346,201)</u>	<u>-</u>	<u>10,140,359</u>
Accumulated Depreciation	<u>(3,323,966)</u>	<u>(362,083)</u>	<u>127,930</u>	<u>-</u>	<u>(3,558,119)</u>
Depreciable Assets, Net	<u>6,886,301</u>	<u>(85,790)</u>	<u>(218,271)</u>	<u>-</u>	<u>6,582,240</u>
Total Capital Assets, Net	<u>\$ 59,491,701</u>	<u>\$ 23,657,606</u>	<u>\$ (327,415)</u>	<u>\$ (13,511,090)</u>	<u>\$ 69,310,802</u>

Depreciation expense for the year ended December 31, 2022 of \$362,083 was charged to governmental activities.

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WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 6. Capital Assets, Continued

	12/31/21 Balance	Additions	Retirement	Transfers	12/31/22 Balance
Business-Type Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	\$ 12,272,786	\$ 1,325,706	\$ -	\$ -	\$ 13,598,492
Projects in Progress	1,195,949	759,592	-	(1,105,084)	850,457
Total Non-Depreciable Assets	13,468,735	2,085,298	-	(1,105,084)	14,448,949
Depreciable Capital Assets:					
Infrastructure	221,802,822	-	-	14,616,174	236,418,996
Other Equipment	1,462,645	158,511	(19,582)	-	1,601,574
Vehicles	705,690	786,469	(510,990)	-	981,169
Right-of-use leased easments	42,396	-	-	-	42,396
Total Depreciable Assets	223,971,157	944,980	(530,572)	14,616,174	239,001,739
Accumulated Depreciation & Amortization	(85,770,090)	(5,958,573)	174,937	-	(91,553,726)
Depreciable Assets, Net	138,201,067	(5,013,593)	(355,635)	14,616,174	147,448,013
Total Capital Assets, Net	\$ 151,669,802	\$ (2,928,295)	\$ (355,635)	\$ 13,511,090	\$ 161,896,962

A detailed list of infrastructure assets in the business type activities is:

	12/31/21 Balance	Additions	Retirement	Transfers	12/31/22 Balance
Infrastructure Assets					
Anderson Jct to Harrisburg Line	\$ 1,901,058	\$ -	\$ -	\$ -	\$ 1,901,058
Cottam Well Water System	3,153,715	-	-	-	3,153,715
Dammeron Valley Waste Water Sys	926,662	-	-	-	926,662
Diversion Dam & Pipeline	14,375,134	-	-	-	14,375,134
Drought Mitigation Plan	1,461,868	-	-	-	1,461,868
Fairground Water	138,143	-	-	-	138,143
Gunlock Filter Station	526,893	-	-	-	526,893
Hurricane Valley Water System	1,271,285	-	-	-	1,271,285
Hydroplants	5,651,189	-	-	-	5,651,189
Ivins-Santa Clara Water System	7,676,300	-	-	-	7,676,300
Kayenta Ence Wells	925,466	-	-	-	925,466
Kolob Recreation	-	-	-	32,046	32,046
Kolob Reservoir	13,294,301	-	-	-	13,294,301
Leap Creek	323,932	-	-	-	323,932
Quail Creek By-Pass Line	1,433,249	-	-	-	1,433,249
Quail Creek Dams	24,753,760	-	-	-	24,753,760
Quail Creek Parallel	5,824,613	-	-	-	5,824,613
Quail Treatment Plant	35,029,318	-	-	-	35,029,318
Quail Creek Water Treatment Plant - Filter Upgrade	-	-	-	202,684	202,684
Regional Pipeline	19,820,894	-	-	-	19,820,894
Roads & Recreation	1,306,067	-	-	-	1,306,067
Sand Hollow	72,597,359	-	-	-	72,597,359
Sand Hollow Culinary Pipeline & 4 Wells	-	-	-	6,564,122	6,564,122
Sand Hollow Well #11	-	-	-	631,177	631,177
Sand Hollow Well #13	-	-	-	658,360	658,360
Toquerville Secondary Water System	3,473,732	-	-	-	3,473,732
Toquerville Springs Pipeline	1,080,651	-	-	-	1,080,651
Treatment Plant Maintenance Bldg	448,950	-	-	-	448,950
Virgin River Gorge Fish Barrier	923,170	-	-	-	923,170
Virgin-LaVerkin Water System	1,900,134	-	-	-	1,900,134
Warner Valley Reservoir	-	-	-	6,527,785	6,527,785
Washington City System	115,286	-	-	-	115,286
Washington Fields Fish Screen	16,605	-	-	-	16,605
Webb Hill Fish Barrier	95,584	-	-	-	95,584
Wet Sandy Project	1,357,504	-	-	-	1,357,504
	\$ 221,802,822	\$ -	\$ -	\$ 14,616,174	\$ 236,418,996

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 7. Accounts Payable

Accounts payable at December 31, 2022 includes amounts due for various contracts and operating expenses of the District.

Note 8. Bonds Payable

During 2000 and 2001, \$6,000,000 in Water Conservancy Revenue bonds were issued by the District to the state of Utah with the proceeds being designated for the Sand Hollow Project. Each principal installment is subject to prepayment and redemption at any time, in whole or in part (if in part, in integral multiples of \$1,000), at the election of the Issuer, and at a Redemption Price of 100% plus unpaid interest on any past due principal installment. These bonds are non-interest-bearing bonds and mature as follows:

Year Ending December 31,	Principal	Interest	Annual Debt Service
2030	\$ 1,500,000	\$ -	\$ 1,500,000
2031	1,500,000	-	1,500,000
2032	1,500,000	-	1,500,000
2033	1,500,000	-	1,500,000
	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>

On March 11, 2004 the Board of Water Resources agreed to purchase \$2,000,000 in District revenue bonds for the District's Gunlock to Santa Clara transmission pipeline project which will be repaid at 2% interest over 25 years. Each series principal installment is subject to repayment and redemption at any time, in whole or in part, at the election of the Issuer at the Redemption Price of 100%, plus accrued interest. The remaining debt service is as follows:

Year Ending December 31,	Principal	Interest	Annual Debt Service
2023	\$ 94,000	\$ 13,880	\$ 107,880
2024	96,000	12,000	108,000
2025	97,000	10,080	107,080
2026	99,000	8,140	107,140
2027	101,000	6,160	107,160
2028-2029	207,000	6,220	213,220
	<u>\$ 694,000</u>	<u>\$ 56,480</u>	<u>\$ 750,480</u>

On February 1, 2011, the District issued \$2,435,000 in Series 2011A Revenue Bonds with an interest rate of 3.25% to finance a portion of the acquisition and construction of certain facilities relating to an existing

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 8. Bonds Payable, Continued

drinking water treatment plant, including a storage tank, pipeline and other related facilities. The bonds are payable in monthly installments including interest with the debt service as follows:

Year Ending December 31,	Principal	Interest	Annual Debt Service
2023	\$ 45,189	\$ 65,271	\$ 110,460
2024	46,680	63,780	110,460
2025	48,220	62,240	110,460
2026	49,811	60,649	110,460
2027	51,454	59,006	110,460
2028-2032	283,879	268,421	552,300
2033-2037	333,895	218,405	552,300
2038-2042	392,724	159,577	552,301
2043-2047	461,918	90,382	552,300
2048-2050	315,146	16,030	331,176
	<u>\$ 2,028,916</u>	<u>\$ 1,063,761</u>	<u>\$ 3,092,677</u>

On March 12, 2015, the District issued \$14,205,000 in Series 2015 Revenue Bonds which were issued with a premium of \$2,119,241 and incurred \$109,241 in issuance costs. With transfers of debt service funds of \$403,375, the net proceeds of \$16,620,375 were used to advance refund \$16,215,000 of the 2005B Bonds. Bonds have an average interest rate of 4.16%. The Series 2017 Revenue Bonds with interest rates ranging from 2% to 5% and are payable in semiannual installments including interest on April 1 and October 1 of each year. The debt service of the 2015 Bonds is as follows:

Year Ending December 31,	Principal	Interest	Annual Debt Service
2023	\$ 975,000	\$ 345,250	\$ 1,320,250
2024	1,020,000	296,500	1,316,500
2025	1,070,000	245,500	1,315,500
2026	1,125,000	192,000	1,317,000
2027	1,175,000	147,000	1,322,000
2028-2029	2,500,000	151,000	2,651,000
	<u>\$ 7,865,000</u>	<u>\$ 1,377,250</u>	<u>\$ 9,242,250</u>

On September 26, 2017, the District issued \$30,920,000 in Series 2017A Revenue and Refunding Bonds which were issued with a premium of \$6,279,447 and incurred \$265,898 in issuance costs. With transfers of debt service funds of \$261,363, the net proceeds of \$37,293,412 were used to advance refund \$11,925,000 of the 2007B Bonds and provide \$25,000,000 for construction costs. The Bonds have an average coupon rate of 4.7%, effective interest rate of 4.771% and mature over 20 years. The Series 2017 Revenue Bonds with interest rates ranging from 2% to 5% and are payable in semiannual installments including interest on April 1 and October 1 of each year. The debt service of the 2017 Bonds is as follows:

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 8. Bonds Payable, Continued

Year Ending December 31,	Principal	Interest	Annual Debt Service
2023	\$ 905,000	\$ 1,336,500	\$ 2,241,500
2024	955,000	1,291,250	2,246,250
2025	1,000,000	1,243,500	2,243,500
2026	1,210,000	1,203,500	2,413,500
2027	1,260,000	1,143,000	2,403,000
2028-2032	7,050,000	4,719,250	11,769,250
2033-2037	14,550,000	2,384,750	16,934,750
	<u>\$26,930,000</u>	<u>\$13,321,750</u>	<u>\$40,251,750</u>

Note 9. Long Term Liabilities

The following is a summary of long term liabilities and related transactions for the District during 2022:

	Balance 12/31/21	Additions	Retirements	Balance 12/31/22	Current Portion
Governmental activities					
Net pension/OPEB liabilities	\$ 68,901	\$ -	\$ (68,901)	\$ -	\$ -
Accrued compensated absences	320,530	272,450	(527,240)	65,740	39,444
Total governmental activities	<u>\$ 389,431</u>	<u>\$ 272,450</u>	<u>\$ (596,141)</u>	<u>\$ 65,740</u>	<u>\$ 39,444</u>
Business-Type activities					
Bonds payable					
2015 Refunding bonds	\$ 8,790,000	\$ -	\$ (925,000)	\$ 7,865,000	\$ 975,000
2012A Series revenue bonds	6,905,000	-	(6,905,000)	-	-
2000A Series revenue bonds	6,000,000	-	-	6,000,000	-
2011A Series bonds	2,072,662	-	(43,746)	2,028,916	45,189
2017A Revenue & refunding bonds	27,795,000	-	(865,000)	26,930,000	905,000
2004 Revenue bonds	786,000	-	(92,000)	694,000	94,000
Bond premium	6,906,711	-	(1,208,148)	5,698,563	-
Net bonds payable	<u>59,255,373</u>	<u>-</u>	<u>(10,038,894)</u>	<u>49,216,479</u>	<u>2,019,189</u>
Accrued compensated absences	196,454	166,986	(246,025)	117,415	70,449
Lease Liabilities	28,675	-	(1,204)	27,471	1,256
Net pension/OPEB liabilities	43,121	-	(43,121)	-	-
Total business-type activities	<u>\$ 59,523,623</u>	<u>\$ 166,986</u>	<u>\$ (10,329,244)</u>	<u>\$ 49,361,365</u>	<u>\$ 2,090,894</u>
Total long-term liabilities	<u>\$ 59,913,054</u>	<u>\$ 439,436</u>	<u>\$ (10,925,385)</u>	<u>\$ 49,427,105</u>	<u>\$ 2,130,338</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 9. Long Term Liabilities

Total remaining principal and interest debt service by year is as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 2,019,189	\$ 2,008,051	\$ 4,027,240
2024	2,117,680	1,826,430	3,944,110
2025	2,215,220	1,644,570	3,859,790
2026	2,483,811	1,464,289	3,948,100
2027	2,587,454	1,355,166	3,942,620
2028-2032	14,540,879	5,144,891	19,685,770
2033-2037	16,383,895	2,603,155	18,987,050
2038-2042	392,724	159,577	552,301
2043-2047	461,918	90,382	552,300
2048-2050	315,146	16,030	331,176
	<u>\$ 43,517,916</u>	<u>\$ 16,312,541</u>	<u>\$ 59,830,457</u>

In prior years certain agreements entered into by the District were classified as operating leases capital leases. With the implementation of GASB 87 in the year ending December 31, 2022, these agreements are now classified as lease liabilities. Beginning balances have been adjusted accordingly with any impact on net position being recorded as a restatement adjustment.

Generally, resources from the General fund are used to liquidate net pension/OPEB liabilities and compensated absences for governmental activities.

The District has no unused lines of credit as of December 31, 2022.

The District has entered into two easement lease agreements with the Bureau of Land Management for right of way easements. The first agreement had an initial liability of \$30,230 in 2010 and a balance of \$21,453 as of December 31, 2022. The second agreement had an initial liability of \$12,166 in 2019 and a balance of \$6,018 as of December 31, 2022. Both agreements have an effective interest rate of 4.27% and require annual payments of \$1,732 through 2040 for the first and annual payments of 697 through 2033 for the second. The land associated with the leases will not be purchased at the end of the lease and has a non-terminating life-span. The values of the right-of-use assets were \$30,230 and \$12,166 respectively with accumulated amortization of \$11,084 and \$7,230 respectively.

The future principle and interest lease payments are as follows:

Year Ending December 31,	Governmental Activities		Enterprise Fund Activities	
	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	\$ 1,256	\$ 1,173
2024	-	-	1,310	1,119
2025	-	-	1,365	1,064
2026	-	-	1,424	1,005
2027	-	-	1,485	944
2028-2032	-	-	8,431	3,715
2033-2037	-	-	7,419	1,938
2038-2040	-	-	4,781	414
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,471</u>	<u>\$ 11,372</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 10. Tax Rate

The District, in accordance with State Law, is authorized to assess Washington County property owners a tax rate of 0.001 for the purpose of water conservancy.

Note 11. Unearned Water Payments

During 1991 the City of St. George exercised the option in its contract with the District that allowed them to prepay 46 years of project water costs for 10,000 acre feet annually of Quail Creek water for \$5,500,000. However, the city will continue to be obligated to pay operation and maintenance costs and repair and replacement fund costs consistent with the remaining terms of the original contract. The \$5,500,000 was recorded as unearned revenue and is being recognized as revenue over the 46-year period on a straight-line basis.

During 2000 the City of Ivins prepaid 50 years of project water costs for 1,000 acre feet annually of Quail Creek water for \$1,000,000 per its contract with the District. The City will be obligated to pay operation and maintenance costs and repair and replacement fund costs consistent with the remaining terms of the contract. The \$1,000,000 was recorded as unearned revenue and is being recognized as revenue over the 50-year period on a straight-line basis.

Note 12. Operating Transfers

During 2022 the following transfers were made including transferring of \$1,152,939 of property taxes and fees in lieu of taxes from the General Fund to the Enterprise Fund for debt service of the General Obligation bonds carried in the Enterprise fund.

Transfers In	Transfers Out		
	General Fund	Capital Projects Fund	Total
Capital Projects Fund	\$ 5,000,000	\$ -	\$ 5,000,000
Proprietary Fund	1,152,939	13,511,091	14,664,030
	<u>\$ 6,152,939</u>	<u>\$ 13,511,091</u>	<u>\$ 19,664,030</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits

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

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer cost sharing 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 employee 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 a 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 to the Utah Retirement Systems, 560 E. 200 S., Salt Lake City, UT 84102 or visiting the website: www.urs.org/general/publications.

Summary of Benefits by System

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

System	Final Average Salary	Years of service required and/or Age Eligible for Benefit	Benefit 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% 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%

**Actuarial reductions are applied*

***All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustment 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.*

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2022 are as follows:

	<u>Employee Paid</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
11-Local Governmental Division Tier 1	6.00%	13.96%	N/A
111-Local Governmental Division Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15-Local Governmental Division Tier 1	N/A	17.97%	N/A
Tier 2 DC Only			
211 Local Government	N/A	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 fiscal year ended December 31, 2022, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 302,386	N/A
Tier 2 Public Employees System	169,562	-
Tier 2 DC Only System	<u>35,063</u>	N/A
Total Contributions	<u><u>\$ 507,010</u></u>	

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

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

At December 31, 2022, we reported a net pension asset of \$1,195,136 and a net pension liability of \$0.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

	<u>(Measurement Date): December 31, 2021</u>			Proportionate	Change
	Net Pension	Net Pension	Proportionate	Share	
	<u>Asset</u>	<u>Liability</u>	<u>Share</u>	<u>Dec. 31, 2020</u>	<u>(Decrease)</u>
Noncontributory System	\$ 1,175,345	\$ 0	0.2052249%	0.2029089%	0.0023160%
Tier 2 Public Employees System	\$ 19,791	0	0.0467620%	0.0552145%	(0.0084525)%
	<u>\$ 1,195,136</u>	<u>\$ 0</u>			

The net pension asset and liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 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, 2022, we recognized pension expense of (\$92,424)

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 132,720	\$ 2,550
Changes in assumptions	128,764	7,774
Net difference between projected and actual earnings on pension plan investments	-	1,631,346
Changes in proportion and differences between contributions and proportionate share of contributions	29,457	7,454
Contributions subsequent to the measurement date	<u>507,010</u>	<u>-</u>
	<u>\$ 797,950</u>	<u>\$ 1,649,124</u>

\$507,010 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, 2021.

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:

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (259,651)
2023	(461,220)
2024	(391,223)
2025	(267,774)
2026	3,922
Thereafter	17,764

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

For the year ended December 31, 2022, we recognized pension expense of (\$161,222).

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources relation to pensions from the following:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 123,105	\$ -
Changes in assumptions	110,310	7,587
Net difference between projected and actual earnings on pension plan investments	-	1,582,444
Changes in proportion and differences between contributions and proportionate share of contributions	17,986	7,103
Contributions subsequent to the measurement date	<u>302,386</u>	<u>-</u>
	<u>\$ 553,786</u>	<u>\$ 1,597,134</u>

\$302,386 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, 2021.

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:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (250,537)
2023	(449,515)
2024	(382,753)
2025	(262,929)
2026	-
Thereafter	-

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

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

For the year ended December 31, 2022, we recognized pension expense of \$68,798.

At December 31, 2022, we reported deferred outflows of resources and deferred inflows of resources relation to pensions from the following:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,615	\$ 2,550
Changes in assumptions	18,454	187
Net difference between projected and actual earnings on pension plan investments	-	48,902
Changes in proportion and differences between contributions and proportionate share of contributions	11,471	351
Contributions subsequent to the measurement date	<u>204,624</u>	<u>-</u>
	<u>\$ 244,164</u>	<u>\$ 51,990</u>

\$204,624 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, 2021.

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2022	\$ (9,114)
2023	(11,705)
2024	(8,470)
2025	(4,845)
2026	3,922
Thereafter	17,764

Actuarial Assumptions

The total pension liability in the December 31, 2021, 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, 2021, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

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:

Asset class	Target Asset Allocation	<u>Expected Return Arithmetic Basis</u>	
		Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	37%	6.58%	2.43%
Debt Securities	20%	(0.28)%	(0.06)%
Real Assets	15%	5.77%	0.87%
Private Equity	12%	9.85%	1.18%
Absolute Return	16%	2.91%	0.47%
Cash and Cash Equivalents	0%	(1.01)%	0.00%
Totals	100%		4.89%
			<u>Inflation</u>
			2.50%
			<u>Expected arithmetic nominal return</u>
			7.39%

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. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

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	Discount Rate	1% Increase
	(5.85%)	(6.85%)	(7.85%)
Noncontributory System	\$ 632,018	(\$1,175,345)	(\$2,683,237)
Tier 2 Public Employees System	117,922	(19,791)	(125,526)
Total	<u>\$ 749,940</u>	<u>(\$1,195,136)</u>	<u>(\$2,808,763)</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 13. Employee Retirement Benefits, Continued

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

Defined Contribution Savings Plans

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

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems: 401(k) Plan and Roth IRA Plan.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
401(k) Plan			
Employer Contributions	\$390,749	\$353,779	\$322,350
Employee Contributions	\$260,615	\$246,104	\$242,894
 Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$19,330	\$19,920	\$14,753

Note 14. Restricted Net Assets

The District determined to set aside funds for future projects. Accordingly, as of December 31, 2022, \$228,927,835 of the Governmental Activities Restricted Net Assets is restricted to be used for new water conservancy projects and \$28,340,820 of Business-type Net Assets is restricted for debt service. In addition, \$23,975,746 of Business-type Net Assets is restricted for Rate Stabilization to be used for debt service and capital asset acquisition in case of insufficient revenues and \$15,123,010 is restricted for Renewal and Replacement required by the Regional Water Supply Agreement.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 15. Litigation

During the ordinary course of its operation, the district is a party to various claims, legal actions and complaints. In the opinion of the District's management and legal counsel, it is not anticipated that these matters have a material financial impact on the District.

Note 16. Other Commitments

The District is obligated at December 31, 2022, under various uncompleted construction contracts as follows:

	Project Authorized Amounts	Costs to Date	Costs to Complete
Ash Creek Pipeline	\$ 11,175,925	\$ 569,343	\$ 10,606,582
Grass Valley Water Diversion	43,114	4,218	38,896
SH Well 15	273,896	20,816	253,080
SH Well 7	610,731	-	610,731
Sand Hollow North Dam to West Dam Pipeline	214,276	155,795	58,481
Toquer Reservoir	2,728,423	689,882	2,038,541
Toquer Dam	100,000	-	100,000
Toquer Dam Recreation Area	253,900	102,720	151,180
Cottam Well Tank Project	5,534,685	3,839,605	1,695,080
Cottam Well 3	991,343	8,914	982,428
Dry Wash Reservoir	1,773,879	439,669	1,334,210
10 MG Storage Tank B	1,348,075	21,373	1,326,702
80 MGD/Ozone Expansion	105,710	52,918	52,792
Quail to Cottam Booster Pumps & Pipeline	888,135	99,793	788,342
Hildale Wells	70,510	60,651	9,859
Total	<u>\$ 26,112,602</u>	<u>\$ 6,065,698</u>	<u>\$ 20,046,904</u>

Note 17. Water Treatment Plant

Effective April 23, 2006, the District assumed the Operational Management of the St. George Treatment Facilities for the benefit of St. George and the District's other Municipal Customers per the agreement with St. George City. The District's Operational Management will include the management, operation, maintenance, repair and replacement of the Treatment Facilities.

The costs associated with the District's Operational Management of the Treatment Facilities shall be paid for by the District. However, the District shall be entitled to fully recover of its costs from St. George and the other Municipal Customers. During 2012, as part of the agreement, the District obtained \$16,530,000 in 2012 Water Revenue Refunding Bonds (see Note 7) to refund St. George's Bonds originally obtained to construct the Treatment Facilities. This agreement along with the payoff of the remaining debt service of St. George City's Bonds, the District determined to record the acquisition of the Treatment Plant as it is very unlikely that either party would withdraw from the agreement at this point.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to the Financial Statements
December 31, 2022

Note 18. Prior Period Adjustments

During the year-end closing of 2022 a number of adjustments related to prior years were noted as being needed. Those adjustments are:

In 2021 the District changed accounting systems, and as part of that change the accounts receivable and accounts payable were overstated in the proprietary fund. Adjustments were made in 2022 with a net effect of decreasing fund balance by \$300,726 with an offset to accounts receivable.

In 2021 retainage payable was inadvertently recorded as both retainage payable and accounts payable in the capital projects fund, causing liabilities and projects in progress to be overstated. In 2022 an adjustment was made to reduce projects in progress and increase fund balance by \$281,346.

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REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	<u>Original</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property tax	\$ 13,707,000	\$ 14,707,000	\$ 15,164,018	\$ 457,018
Interest	200,000	200,000	710,729	510,729
Other income	335,146	335,146	626,857	291,711
Total revenues	<u>14,242,146</u>	<u>15,242,146</u>	<u>16,501,604</u>	<u>1,259,458</u>
EXPENDITURES:				
Capital expenditures	175,000	1,175,000	1,242,925	(67,925)
Public education	171,500	171,500	69,869	101,631
Payroll & benefits	2,797,070	2,797,070	2,244,000	553,070
Cloud seeding	36,500	36,500	-	36,500
Audit & accounting	50,000	50,000	45,976	4,024
Telephone	45,800	45,800	34,979	10,821
Insurance & bond	2,500	2,500	13,610	(11,110)
Travel & training	198,100	198,100	77,736	120,364
Office	342,895	342,895	(40,044)	382,939
Miscellaneous	108,100	108,100	36,552	71,548
Legal	965,300	965,300	1,278,887	(313,587)
Auto expenses	38,000	38,000	12,635	25,365
Board expenses	8,000	8,000	7,513	487
RDA property taxes	350,000	350,000	186,166	163,834
Engineering & maintenance	286,450	286,450	229,731	56,719
Environmental	1,500	1,500	-	1,500
Conservation	1,000	1,000	9,002	(8,002)
Utilities	29,000	29,000	31,717	(2,717)
Building maintenance	40,000	40,000	36,055	3,945
Total expenditures	<u>5,646,715</u>	<u>6,646,715</u>	<u>5,517,309</u>	<u>1,129,406</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(9,925,250)	(9,925,250)	(6,152,939)	3,772,311
Total other financing sources (uses)	<u>(9,925,250)</u>	<u>(9,925,250)</u>	<u>(6,152,939)</u>	<u>3,772,311</u>
Net change in fund balance	(1,329,819)	(1,329,819)	4,831,356	3,902,363
Fund balance, beginning of year	<u>28,386,186</u>	<u>28,386,186</u>	<u>28,386,186</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 27,056,367</u>	<u>\$ 27,056,367</u>	<u>\$ 33,217,542</u>	<u>\$ 3,902,363</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Virgin River Program
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Interest	\$ 1,000	\$ 3,194	\$ 2,194
Other income	<u>2,796,287</u>	<u>2,782,337</u>	<u>(13,950)</u>
Total revenues	<u>2,797,287</u>	<u>2,785,531</u>	<u>(11,756)</u>
EXPENDITURES:			
Capital expenditures	84,800	128,501	(43,701)
Public education	36,000	59,242	(23,242)
Payroll & benefits	120,350	107,962	12,388
Telephone	900	975	(75)
Travel & training	1,500	1,041	459
Office	20,500	15,413	5,087
Miscellaneous	84,850	234,870	(150,020)
Operations & maintenance	79,387	59,493	19,894
Environmental	2,369,000	1,983,664	385,336
Utilities	-	26,759	(26,759)
Total expenditures	<u>2,797,287</u>	<u>2,617,920</u>	<u>179,367</u>
OTHER FINANCING SOURCES (USES):			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	167,611	(191,123)
Fund balance, beginning of year	<u>1,227,678</u>	<u>1,227,678</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,227,678</u>	<u>\$ 1,395,289</u>	<u>\$ (191,123)</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2022

<u>As of fiscal year ended December 31,</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
Noncontributory System					
2015	0.0000000%	\$ -	\$ -	0.00%	0.0%
2016	0.0188787%	106,825	155,045	68.90%	87.8%
2017	0.1891976%	1,214,880	1,623,841	74.82%	87.3%
2018	0.1935960%	848,203	1,602,088	52.94%	91.9%
2019	0.1861890%	1,370,970	1,510,243	90.78%	87.0%
2020	0.2060508%	776,587	1,671,550	46.46%	93.7%
2021	0.2029089%	104,081	1,599,453	6.51%	99.2%
2022	(0.2052249%)	(1,175,345)	1,650,572	-71.21%	108.7%
Contributory System					
2015	3.0997511%	\$ 894,103	\$ 1,565,148	57.13%	94.0%
2016	3.5114195%	2,468,017	1,397,688	176.58%	85.7%
2017	0.7795726%	26,109	19,093	136.75%	92.9%
2018	0.0000000%	-	9,156	0.00%	0.0%
2019	0.0000000%	-	2,776	0.00%	0.0%
2020	0.0000000%	-	-	0.00%	0.0%
2021	0.0000000%	-	-	0.00%	0.0%
2022	0.0000000%	-	-	0.00%	0.0%
Tier 2 Public Employees System					
2015	0.0337495%	\$ (1,023)	\$ 165,582	-0.62%	103.5%
2016	0.0279640%	(61)	180,667	-0.03%	100.2%
2017	0.0387790%	4,326	318,019	1.36%	95.1%
2018	0.0445760%	3,930	436,689	0.90%	97.4%
2019	0.0482960%	20,684	563,442	3.67%	90.8%
2020	0.0565940%	12,728	786,286	1.62%	96.5%
2021	0.0552146%	7,941	883,676	0.90%	98.3%
2022	(0.046762%)	(19,791)	867,979	-2.28%	103.8%

Note: The District implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Schedule of Contributions
December 31, 2022

As of fiscal year ended December 31,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory System					
2015	\$ 28,637	\$ 28,637	\$ -	\$ 155,045	18.47%
2016	299,924	299,924	-	1,623,841	18.47%
2017	295,906	295,906	-	1,602,088	18.47%
2018	278,942	278,942	-	1,510,243	18.47%
2019	312,932	312,932	-	1,694,274	18.47%
2020	298,386	298,386	-	1,631,848	18.29%
2021	300,638	300,638	-	1,649,522	18.23%
2022	302,386	302,386	-	1,664,672	18.16%
Tier 2 Public Employees System*					
2015	\$ 29,897	\$ 29,897	\$ -	\$ 182,633	16.37%
2016	47,856	47,856	-	320,966	14.91%
2017	66,509	66,509	-	443,143	15.01%
2018	86,449	86,449	-	563,442	15.34%
2019	122,703	122,703	-	786,286	15.61%
2020	139,633	139,633	-	888,101	15.72%
2021	138,372	138,372	-	867,979	15.94%
2022	169,562	169,562	-	1,059,316	16.01%
Tier 2 Public Employees DC Only System*					
2015	\$ 1,973	\$ 1,973	\$ -	\$ 24,154	8.17%
2016	1,866	1,866	-	27,898	6.69%
2017	6,765	6,765	-	101,119	6.69%
2018	9,806	9,806	-	146,575	6.69%
2019	10,660	10,660	-	159,339	6.69%
2020	21,731	21,731	-	324,823	6.69%
2021	28,004	28,004	-	426,376	6.57%
2022	35,063	35,063	-	627,846	5.58%

Note: The District implemented GASB 68 in fiscal year 2015. Some prior year information is not available.

* 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.

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Note 1. Changes in Assumptions

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	<u>Original</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Impact fees	25,000,000	\$ 25,000,000	\$ 27,783,674	\$ 2,783,674
Interest	500,000	500,000	2,814,105	2,314,105
Other income	-	-	208,990	208,990
Total revenues	<u>25,500,000</u>	<u>25,500,000</u>	<u>30,806,769</u>	<u>5,306,769</u>
EXPENDITURES:				
Capital expenditures	87,238,647	89,813,647	18,647,933	71,165,714
Public education	260,000	260,000	-	260,000
Payroll & benefits	1,348,775	1,348,775	1,115,484	233,291
Telephone	3,059	3,059	3,536	(477)
Travel & training	14,000	14,000	10,820	3,180
Office	5,401	5,401	-	5,401
Miscellaneous	1,795,178	335,278	1,075,328	(740,050)
Legal	1,367,000	2,837,400	732,867	2,104,533
Auto expenses	-	-	10,384	(10,384)
Engineering & maintenance	809,000	809,000	1,710,135	(901,135)
Environmental	-	-	52,992	(52,992)
Utilities	-	3,000	70,838	(67,838)
Total expenditures	<u>92,841,060</u>	<u>95,429,560</u>	<u>23,430,317</u>	<u>71,999,243</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,428,011	6,303,011	5,000,000	(1,303,011)
Transfers out	(2,750,180)	(2,750,180)	-	2,750,180
Total other financing sources (uses)	<u>3,677,831</u>	<u>3,552,831</u>	<u>5,000,000</u>	<u>1,447,169</u>
Net change in fund balance	(63,663,229)	(66,376,729)	12,376,452	(65,245,305)
Fund balance, beginning of year	<u>182,439,210</u>	<u>182,439,210</u>	<u>182,439,210</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>302,931</u>	<u>302,931</u>
Fund balance, end of year	<u>\$ 118,775,981</u>	<u>\$ 116,062,481</u>	<u>\$ 195,118,593</u>	<u>\$ (65,245,305)</u>

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Proprietary Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2022

	<u>Original</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Power sales	\$ 423,053	\$ 423,053	\$ 600,709	\$ 177,656
Water sales (net of rebate)	10,709,900	10,709,900	14,831,401	4,121,501
Water development & connection fees	10,000	10,000	46,086	36,086
Other charges and fees	76,999	76,999	280,351	203,352
Total revenues	<u>11,219,952</u>	<u>11,219,952</u>	<u>15,758,547</u>	<u>4,538,595</u>
EXPENSES:				
Depreciation	-	-	5,958,168	(5,958,168)
Operations & maintenance	8,583,800	8,508,800	1,313,198	7,195,602
Payroll & benefits	689,000	689,000	497,586	191,414
Insurance & bonds	157,500	157,500	128,785	28,715
Office expenses	3,500	3,500	1,839	1,661
Building maintenance	551,000	551,000	976,702	(425,702)
Utilities	222,500	222,500	874,766	(652,266)
Telephone	29,201	29,201	34,726	(5,525)
Auto expenses	55,000	55,000	115,844	(60,844)
Service charges	208,724	208,724	209,303	(579)
Miscellaneous	395,101	395,101	675,283	(280,182)
Travel and training	50,000	50,000	34,905	15,095
Total operating expenses	<u>10,962,326</u>	<u>10,887,326</u>	<u>10,823,801</u>	<u>63,525</u>
Operating income (loss)	257,626	332,626	4,934,746	4,475,070
OTHER INCOME (EXPENSES):				
Other income	77,000	77,000	-	(77,000)
Gain (loss) on sale of capital assets	-	-	33,684	33,684
Special assessment	1,215,000	1,215,000	1,072,176	(142,824)
Impact fees	1,531,000	1,531,000	1,751,731	220,731
Interest income	350,000	350,000	1,668,453	1,318,453
Interest expense	(2,180,834)	(2,180,834)	(832,766)	1,348,068
Capital Contribution	-	-	24,363,161	24,363,161
Transfers in	5,302,835	5,227,835	653,215	(4,574,620)
Transfers out	(385,235)	(385,235)	499,725	884,960
Total other financing sources (uses)	<u>5,909,766</u>	<u>5,834,766</u>	<u>29,209,379</u>	<u>23,374,613</u>
Net change in fund balance	6,167,392	6,167,392	34,144,125	27,849,683
Fund balance, beginning of year	<u>183,987,215</u>	<u>183,987,215</u>	<u>183,987,215</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>56,916</u>	<u>56,916</u>
Fund balance, end of year	<u>\$ 190,154,607</u>	<u>\$ 190,154,607</u>	<u>\$ 218,188,256</u>	<u>\$ 27,849,683</u>

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FEDERAL AND STATE AUDITOR'S REPORTS

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Trustees
Washington County Water Conservancy District
St. George, Utah

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Washington County Water Conservancy District's basic financial statements, and have issued our report thereon dated July 26, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Washington County Water Conservancy 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 Washington County Water Conservancy 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

2021-001 Reconciliation of Balance Sheet Account Balances

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington County Water Conservancy District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Washington County Water Conservancy District's Response to Findings

The Washington County Water Conservancy District's response to the findings identified in our audit is described in the accompanying letter of findings and recommendations. The Washington County Water Conservancy District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

HintonBurdick, PLLC

St. George, Utah

July 26, 2023



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

To the Board of Trustees
Washington County Water Conservancy District
St. George, Utah

Report on Compliance

We have audited the Washington County Water Conservancy District's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, which could have a direct and material effect on the Washington County Water Conservancy District for the year ended December 31, 2022.

State compliance requirements were tested for the year ended December 31, 2022 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Restricted Revenues
- Fraud Risk Assessment
- Government Fees
- Open and Public Meetings

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, the Washington County Water Conservancy District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2022.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance 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, noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying schedule of findings and recommendations.

The Washington County Water Conservancy District's responses to the findings identified in our audit are described in the accompanying letter to management. The Washington County Water Conservancy District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Guide*. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC

St. George, Utah

July 26, 2023

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Findings and Recommendations For the Year Ended December 31, 2022

Directors and Members of the Board
Washington County Water Conservancy District
St. George, Utah

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Washington County Water Conservancy District for the year December 31, 2022 we noted a few circumstances that, if improved, would strengthen the District's accounting system and controls over its assets, and a few areas needing corrective action in order for the District to be in compliance with laws and regulations. These items are discussed below for your consideration.

Material Weaknesses:

None Noted

Significant Deficiencies:

2021-001 Reconciliation of Balance Sheet Account Balances, Reworded, Reissued

Criteria: Best practices state, processes should be in place to regularly reconcile balances recorded in the balance sheet accounts to supporting lists, reports, and information.

Condition: While the District has improved compared to the prior year, the District did not have supporting reconciliations readily available for accounts payable or accounts receivable.

Cause: The District changed accounting systems near year-end of 2021 and the conversion caused misstated beginning balances and misclassified some of the activity in 2021. Most of the balance sheet accounts were reviewed and reconciled in 2022, but the information between the general ledger and supporting ledgers for accounts payable and accounts receivable weren't being reconciled.

Effect: Without regular reconciliations, and the resulting documentation, it can be difficult or impossible to have a reasonable understanding of what items are included in the balances which increases the risk of error or fraud occurring without being detected and corrected in the normal course of business.

Recommendation: We recommend the District continue in its efforts and make certain it is performing regular reconciliations of all significant balance sheet accounts.

Management's Response: The district agrees with the auditor's recommendation and will follow through to perform regular reconciliations of all significant balance sheet accounts. The reconciliations performed by the district will provide correctly stated beginning balances and a reasonable understanding of what items are included in the balance sheet balances. Pursuant to discoveries made while this audit was in progress, the district has already put procedures in place to perform account reconciliations. The district has already performed this account reconciliation process for the utilities section and all sections of accounts receivable and is working through the process with all other accounts.

This report is intended solely for the information and use of management, and various state agencies and is not intended to be and should not be used by anyone other than these specified parties.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to the staff who assisted us so efficiently in this year's audit. We invite you to continue to ask questions of us throughout the year, as you feel necessary. We look forward to a continued professional relationship.

HintonBurdick, PLLC

July 26, 2023