

**GRANGER-HUNTER
IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

December 31, 2025

**GRANGER-HUNTER IMPROVEMENT DISTRICT
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INDEPENDENT AUDITOR'S REPORT



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Trustees
Granger-Hunter Improvement District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Granger-Hunter Improvement District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granger-Hunter Improvement District as of December 31, 2025, and the respective change in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions 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 accompanying Budget to Actual Comparison schedule is presented for the purpose 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 Budget to Actual Comparison schedule is 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 April 21, 2026 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
April 21, 2026

GRANGER-HUNTER IMPROVEMENT DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

As management of the Granger-Hunter Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ending December 31, 2025. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

Introduction

The District strives to improve the quality of life today – creating a better tomorrow for its residents by delivering drinking water that is clean and safe for daily use and collecting wastewater responsibly to protect public health and the environment.

The District owns and operates eight (8) wells, ten (10) culinary water storage reservoirs, six (6) pumping stations, 12 lift stations, over 380 miles of water pipelines and over 317 miles of wastewater pipelines. The District provides water and wastewater services to approximately 137,000 residents living in West Valley City, parts of Taylorsville City and parts of Kearns City:

- 25,944 residential households
- 268 institutional customers
- 1,037 commercial customers
- 18 industrial customers

Financial Highlights

- In an effort to keep up with necessary infrastructure improvements, ongoing maintenance and rising inflation costs, the District increased water and wastewater rates by 7% in 2025.
- The Total Assets and Deferred Outflows of Resources of the District exceeded its Total Liabilities and Deferred Inflows of Resources at the close of the most recent fiscal year by \$218,016,244 (net position). Of this amount, \$87,405,642 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$23,106,070 as of December 31, 2025. The increase was due increases in the District's capital assets, and investment in Central Valley Water Reclamation Facility (CVWRF).

Budgetary Highlights

During 2025, the District's net revenue, when compared to budget, was \$16,221,930 higher than anticipated. When you remove the savings generated from the equity method of accounting for Central Valley Water, non-cash pension-related expenditures, capitalized vehicles and GASB 87 accounting methodology, the realized budget savings for the District is approximately \$6.3M. The budget surplus was due to higher revenues and lower than anticipated expenditures in several categories. Total revenues were higher than budget by \$4,152,414, and total operating expenditures were below budget by \$12,069,516 (see Budget To Actual Comparison on page 40 of this report). The following analysis is offered as explanation of variances from budget that were greater than \$200,000.

- Metered water sales were \$762,161 higher than budget due to customers using more water during the year than anticipated.
- Sewer service charges were \$1,310,566 higher than budget due to higher than anticipated winter month sewer flows and higher than anticipated equivalent dwelling unit (EDU) growth.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
(Unaudited)**

- Interest income was \$1,359,649 higher than budget due to higher than anticipated principal balances invested at higher rates.
- Impact fees were \$381,069 more than budget primarily due to higher than anticipated developer growth projects.
- Employee benefits are lower than budget due to lower health care usage than what was budgeted.
- Central Valley expense was \$10,069,466 under budget, primarily due to the equity method of accounting for the District’s ownership in the facility. When only considering Central Valley expense for operating expenditures, the operating expenses were \$126,242 over budget.
- Equipment and tools purchases were below budget by \$904,640. Several pieces of equipment were capitalized during the year and are reflected in footnote Note 3 rather than as an expenditure.
- Infrastructure purchases were budgeted at \$22,887,571 while actual expenditures totaled \$21,507,848, a difference of \$1,379,723 under budget. 16 projects were in some stage of construction at year end. The variance in infrastructure purchases is due to differences in project schedules when compared to the 2025 Budget.

Overview of the Financial Statements

The District’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board (“GASB”). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District’s significant accounting policies.

The *Statement of Net Position* presents information on all of the District’s assets and liabilities, with the difference between the two reported as *Total Net Position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|----------------------------------|-----------------------|-----------------------|----------------------|
| Current and other assets | \$ 103,122,763 | \$ 99,587,683 | \$ 3,535,080 |
| Capital assets, net | 179,844,604 | 162,082,694 | 17,761,910 |
| Total Assets | <u>282,967,367</u> | <u>261,670,377</u> | <u>21,296,990</u> |
| Deferred outflows of resources | 2,191,571 | 2,189,386 | 2,185 |
| Current liabilities | 11,825,070 | 10,400,088 | 1,424,982 |
| Long-term liabilities | 55,309,903 | 58,590,233 | (3,280,330) |
| Total Liabilities | <u>67,134,973</u> | <u>68,990,321</u> | <u>(1,855,348)</u> |
| Deferered inflows of resources | 7,721 | 13,268 | (5,547) |
| Net investment in capital assets | 127,532,577 | 111,190,724 | 16,341,853 |
| Restricted | 3,078,025 | 7,715,571 | (4,637,546) |
| Unrestricted | <u>87,405,642</u> | <u>75,949,879</u> | <u>11,455,763</u> |
| Total Net Position | <u>\$ 218,016,244</u> | <u>\$ 194,856,174</u> | <u>\$ 23,160,070</u> |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
(Unaudited)**

The statement of net position includes all of the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position which are categorized as investment in capital assets, restricted, or unrestricted. As can be seen from the preceding schedule, net position changed from \$194,856,174 to \$218,016,244, an increase of \$23,160,070 at the end of the current year, approximately 11.9% of prior year’s total net position. The largest portion of the District’s net position, \$127,532,577 (58.5%), reflects its investment in capital assets (e.g., land, buildings, water and sewer system facilities, and equipment). The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District’s net position, \$3,078,025 (1.4%), represents “Restricted” resources that are subject to external/internal restrictions on how they may be used.

While the statement of net position shows the change in financial position, the summary of the District’s statement of revenues, expenses, and changes in net position provides information regarding the nature and source of these changes, as seen in the following schedule.

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------------|
| Operating revenues | \$ 52,386,742 | \$ 47,031,862 | \$ 5,354,880 |
| Operating expenses | <u>(44,952,473)</u> | <u>(41,972,659)</u> | <u>(2,979,814)</u> |
| Operating income (loss) | <u>7,434,269</u> | <u>5,059,203</u> | <u>2,375,066</u> |
| Non-operating revenues | 16,334,247 | 14,162,819 | 2,171,428 |
| Non-operating expenses | <u>(6,317,542)</u> | <u>(6,275,555)</u> | <u>(41,987)</u> |
| Total non-operating income | <u>10,016,705</u> | <u>7,887,264</u> | <u>2,129,441</u> |
| Change in net position before capital contributions | 17,450,974 | 12,946,467 | 4,504,507 |
| Capital contributions | <u>5,709,096</u> | <u>1,089,107</u> | <u>4,619,989</u> |
| Change in net position | <u>\$ 23,160,070</u> | <u>\$ 14,035,574</u> | <u>\$ 9,124,496</u> |

Capital Asset Activity

The District’s investment in capital assets as of December 31, 2025, amounts to \$179,844,604 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sewer system facilities, and machinery and equipment. The District’s investment in capital assets increased significantly from the previous year.

Major capital asset events during the current fiscal year included the following:

- Anderson Water Treatment Plant
- Watts Well 18 Drilling and Equipping
- Redwood Road sewer line replacement
- Acord Reservoir repair and recoating
- Several waterline replacement projects
- Water and wastewater infrastructure contributed to the District by developers
- Several new heavy machinery and vehicle purchases

**GRANGER-HUNTER IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
(Unaudited)**

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|------------------------------------|-----------------------|-----------------------|----------------------|
| Land | \$ 5,016,814 | \$ 4,829,713 | \$ 187,101 |
| Buildings and improvement | 6,174,425 | 6,564,809 | (390,384) |
| Water system | 103,331,279 | 99,598,301 | 3,732,978 |
| Sewage pumping plant | 15,120,634 | 15,747,597 | (626,963) |
| Sewage collection lines | 30,435,882 | 27,372,281 | 3,063,601 |
| Transportation equipment | 1,991,498 | 1,873,734 | 117,764 |
| Engineering and other equipment an | 2,512,605 | 2,929,890 | (417,285) |
| Office furniture and equipment | 98,222 | 147,756 | (49,534) |
| Intangible lease assets | 53,015 | 29,453 | 23,562 |
| Construction in progress | 15,110,230 | 2,989,160 | 12,121,070 |
| Total Property and Equipment, net | <u>\$ 179,844,604</u> | <u>\$ 162,082,694</u> | <u>\$ 17,761,910</u> |

Debt Administration

At the end of the current fiscal year, the District had total long-term liabilities of \$57,362,541. The liability represents bonds secured solely by specified revenue sources, post-employment liabilities, employee compensated absences and subscription-based IT arrangements. The combined total of all long-term debt decreased from \$60,589,761 at December 31, 2024 to \$57,362,541 at December 31, 2025, a change of \$3,227,220. The District has no outstanding general obligation debt at the end of this fiscal year.

Additional information on the District's long-term debt can be found in Note 4.

Requests for information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Controller of the Granger-Hunter Improvement District, 2888 South 3600 West, West Valley City, Utah 84119 or by telephone (801) 968-3551.

BASIC FINANCIAL STATEMENTS

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2025

Assets

Current Assets:

| | |
|--|--------------------------|
| Unrestricted Cash and cash equivalents | \$ 20,951,615 |
| Marketable Securities | 18,094,088 |
| Receivables: | |
| Property taxes | 1,418,764 |
| Accounts receivable, net | 6,182,405 |
| Inventory | 1,539,692 |
| Prepays | <u>233,933</u> |
| Total Current Assets | <u>48,420,497</u> |

Non-current Assets:

| | |
|---|------------------------------|
| Restricted cash and cash equivalents | 3,078,025 |
| Capital Assets - net of depreciation | 179,844,604 |
| Investment in Central Valley Water Reclamation Facility | <u>51,624,241</u> |
| Total Non-current Assets | <u>234,546,870</u> |
| Total Assets | <u>\$ 282,967,367</u> |

Deferred Outflows of Resources

| | |
|--|------------------------------|
| Deferred outflows relating to pensions | <u>2,191,571</u> |
| Total Deferred Outflows of Resources | <u>2,191,571</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 285,158,938</u> |

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2025

Liabilities

Current Liabilities:

| | |
|---|-------------------|
| Accounts payable | \$ 6,990,393 |
| Accrued liabilities | 144,875 |
| Retainage | 419,439 |
| Accrued interest | 529,677 |
| Customer water deposits | 13,356 |
| Unearned revenue | 380,172 |
| Long-term liabilities due within one year | 3,347,158 |
| | <u>11,825,070</u> |
| Total Current Liabilities | 11,825,070 |

Non-Current Liabilities:

| | |
|--|-------------------|
| Long-term liabilities, due in more than one year | 54,015,383 |
| Net pension liability | 1,294,520 |
| | <u>55,309,903</u> |
| Total Non-Current Liabilities | 55,309,903 |

Deferred Inflows of Resources

| | |
|--|--------------|
| Deferred inflows relating to pensions | 7,721 |
| | <u>7,721</u> |
| Total Deferred Inflows of Resources | 7,721 |

Total Liabilities and Deferred Inflows of Resources

67,142,694

Net Position

| | |
|----------------------------------|--------------------|
| Net investment in capital assets | 127,532,577 |
| Restricted: | |
| Restricted for capital projects | 3,078,025 |
| Unrestricted | 87,405,642 |
| | <u>218,016,244</u> |
| Total Net Position | 218,016,244 |

**Total Liabilities, Deferred Inflows
of Resources, and Net Position**

\$ 285,158,938

The accompanying notes are an integral part of this statement.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For The Year Ended December 31, 2025**

| | |
|--|-----------------------|
| Operating Revenues | |
| Metered water sales | \$ 27,423,161 |
| Sewer service charges | 24,302,566 |
| Other | 661,015 |
| | <hr/> |
| Total Operating Revenues | 52,386,742 |
| Operating Expenses | |
| Direct operation and maintenance | 22,829,142 |
| General and administrative | 12,554,822 |
| Depreciation | 9,568,509 |
| | <hr/> |
| Total Operating Expenses | 44,952,473 |
| Operating Income | 7,434,269 |
| | <hr/> |
| Non-Operating Revenues (Expenses) | |
| Property tax revenue | 7,298,016 |
| Impact fees | 1,106,069 |
| Interest income | 1,959,649 |
| Grant revenue | 5,819,538 |
| Interest expense | (1,314,734) |
| Donation to other governmental entities | (411,592) |
| Gain (loss) on disposal of assets | 67,396 |
| Unrealized gain (loss) on marketable securities | 83,579 |
| Gain/(loss) in equity investment of CVWRF | (4,591,216) |
| | <hr/> |
| Total Non-Operating Revenues (Expenses) | 10,016,705 |
| Change In Net Position Before Contributed Capital | 17,450,974 |
| Contributed Capital | 5,709,096 |
| | <hr/> |
| Change In Net Position | 23,160,070 |
| Net Position at Beginning of Year | 194,856,174 |
| | <hr/> |
| Net Position at End of Year | \$ 218,016,244 |
| | <hr/> <hr/> |

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2025

| | |
|--|----------------------|
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 51,777,495 |
| Payments to suppliers | (25,256,181) |
| Payments to employees | (8,742,348) |
| | <u>17,778,966</u> |
| Cash Flows From Noncapital Financing Activities | |
| Property tax receipts | 6,559,087 |
| Proceeds from grant | 5,819,538 |
| | <u>12,378,625</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Impact fees received | 1,106,069 |
| Purchase of property and equipment | (21,648,407) |
| Principal paid on bonds | (3,230,000) |
| Principal paid on leases | (27,144) |
| Principal paid on subscription liabilities | (17,674) |
| Proceeds from sale of property and equipment | 94,480 |
| Interest paid on long-term debts | (1,357,693) |
| | <u>(25,080,369)</u> |
| Cash Flows From Investing Activity | |
| Cash from sale of investments | 532,396 |
| Cash paid for investment in Central Valley Water Reclamation Facility | (10,195,708) |
| Interest income | 948,498 |
| | <u>(8,714,814)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,637,592) |
| Cash and Cash Equivalents, Beginning of Year | <u>27,667,232</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 24,029,640</u> |
| Cash and Cash Equivalents recorded in the Statement of Net Position | |
| Unrestricted | \$ 20,951,615 |
| Restricted | 3,078,025 |
| Total Cash and Cash Equivalents recorded in the Statement of Net Position | <u>\$ 24,029,640</u> |

The accompanying notes are an integral part of this statement.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For The Year Ended December 31, 2025**

Reconciliation of Operating Income to Net Cash From Operating Activities:

| | |
|--|----------------------|
| Operating Income | \$ 7,434,269 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation expense | 9,568,509 |
| Pension adjustment | 315,495 |
| Changes in: | |
| Accounts receivable, net | (678,430) |
| Inventory | 93,526 |
| Prepays | (87,526) |
| Accounts payable | 2,530,318 |
| Accrued liabilities | (319,523) |
| Unearned revenues | 69,666 |
| Retainage | (1,137,124) |
| Customer water deposits | (483) |
| Compensated absences | 144,356 |
| Post-employment termination liabilities | (154,087) |
| Net Cash From Operating Activities | \$ 17,778,966 |

Noncash Investing, Capital, and Financing Activities

| | |
|---|--------------|
| Gain in Central Valley Water Reclamation Facility equity | \$ 4,591,216 |
| Contributed capital water and sewer lines received at fair market value | \$ 5,709,096 |

The accompanying notes are an integral part of this statement.

GRANGER-HUNTER IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Granger-Hunter Improvement District (the District) was established by resolution of the Board of County Commissioners of Salt Lake County in 1950. Salt Lake County has no oversight responsibility over the District. The District is not a component unit of another government as defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus*, since the District is a special district governed by a Board of Trustees which are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, which are included in the District's reporting entity.

Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by GASB.

The following is a summary of the more significant policies.

Financial Statement Presentation and Basis of Accounting

The District prepares its financial statements on an enterprise fund basis, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property tax revenue and contributed water and sewer lines.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers of the system. Operating expenses for the District include the costs of treatment, personnel, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. All non-restricted amounts are considered to be cash and cash equivalents for cash flow statement purposes.

The Public Treasurers' Investment Fund (PTIF) accounts of the District are stated at amortized cost, which approximates fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*.

Investments

Investments are reported at fair value as prescribed in GASB No. 31.

Restricted Assets

The District maintains accounts which are restricted by state law for use in capital projects. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Inventories

The District's inventories include various items consisting of water meters, replacement parts, and other maintenance related equipment and supplies used in the construction and repair of water and sewer systems. Inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method. Inventory items are expensed as used.

Capital Assets

Capital Assets are stated at cost and are defined by the District as assets with a cost of \$10,000 or more. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included as non-operating revenues or expenses.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was capitalized during the current fiscal year.

Depreciation of property and equipment was computed using the straight-line method over the following estimated useful lives:

| | |
|------------------------|-------------|
| Sewer and Water Lines | 10-60 years |
| Office Building | 10-40 years |
| Furniture and Fixtures | 5-10 years |
| Automobiles and Trucks | 5-10 years |
| Tools and Equipment | 5-10 years |

GRANGER-HUNTER IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Contributed Capital

The District receives title to various water and sewer lines that have been constructed by developers after the District certifies that these lines meet all the required specifications. The District records water and sewer lines at the estimated fair market value at the date of donation, provided by the District's engineers, which are then depreciated under the methods and lives set forth above.

Joint Venture

The District accounts for its interest in a joint venture using the equity method of accounting.

Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. All full-time employees may carry a maximum of 312 hours accrued vacation time from year to year. They may accrue more during the year based on their regular earned vacation time, but only 312 hours can be carried over. All vested vacation benefits shall be paid upon termination of employment by resignation or termination.

Unused sick leave may be carried over from one year to the next. Upon retirement, an employee may elect to apply unused sick leave in one of the following two ways:

1. Receive payment in cash equal to one hundred percent of the value of the employee's accrued and unused sick leave; or
2. Exchange twelve hours of unused sick leave for one month's coverage under the District's group health and dental plan. This benefit is available to the employee and the employee's spouse until they become eligible for Medicare benefits.

In the event of termination other than retirement, unused sick leave will be lost.

Property Tax Revenues

Property tax rates are approved in June of each year by the Board of Trustees for the District. County Assessors assess a value (an approximation of market value) as of January 1 of each year for all real property, to which the property tax rates will apply for assessing property taxes. The property taxes assessed become delinquent after November 30. The District's certified tax rate in Salt Lake County for 2025 was 0.000496 for operations and maintenance. The District appropriates the entire amount to operations and maintenance. The statutory maximum set by the State for operations and maintenance is 0.000800.

Budgetary Accounting

The District adopts an annual budget, which is maintained on an accrual basis except for certain capitalizable projects. All annual appropriations lapse at fiscal year-end.

Allowance for Doubtful Accounts

Account receivables are stated net of allowance for doubtful accounts of \$25,000. The allowance for doubtful accounts is based on the District's prior collection experience. Uncollected fees are certified to the county and attached as liens on the related real estate where allowable.

GRANGER-HUNTER IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Cash Bonds from Developers

The District requires developers to post a bond of 110% of the cost of the project. After the District accepts the completed project, the District releases all of the bonds except 10%. The remaining 10% of the posted bond is not released until the warranty period required by the District is met. The District records the total cost of each completed project after it has been satisfactorily completed and accepted. Warranty work done during the warranty period will be performed by the developer or collected from the bond posted by the developer.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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

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. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 DEPOSITS AND INVESTMENTS

The District's deposit and investment policy is to follow the Utah Money Management Act. The District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

The District follows the requirements of the Utah Money Management Act (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 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 state commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

GRANGER-HUNTER IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits

Cash includes amounts in demand deposits including the portion of the PTIF that is considered as a demand deposit.

Custodial credit risk – deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of December 31, 2025, \$24,355,895 of the District’s deposit bank balances of \$24,105,895 was uninsured and uncollateralized.

Investments

The Money Management Act also governs the scope of securities allowed as appropriate investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District’s investments are exposed to certain risks as outlined below:

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk beyond the provisions of the Act. As of December 31, 2025, the District’s sweep account balance was uninsured.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Title 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. The fair value of the District’s investment in the PTIF is \$24,133,231 with a carrying value of \$24,188,454.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s, bankers’ acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivisions of the State of Utah, fixed rate corporate obligations and variable rate securities rated, when purchase, as “A” or higher by two nationally recognized statistical rating organizations, and shares in a money market fund as defined in the Act.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon the total dollar amount held in the portfolio. The District does not have any corporate obligations from a single issuer that are over 5% of the portfolio.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The District invests in the PTIF, which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer’s Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company, and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average maturity of the portfolio is 44 days.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants’ share to the total funds in the PTIF based on the participants’ average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer’s Office. As of December 31, 2025, the Utah Public Treasurer’s Investment Fund was unrated.

Fair Value of Investments

The District measures its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

| | 12/31/2025 | Fair Value Measurements By Level | | |
|--|----------------------|----------------------------------|---------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| Utah State Treasurer's investment pool | \$ 2,042,706 | \$ - | \$ 2,042,706 | \$ - |
| Certificates of Deposit | 3,760,709 | - | 3,760,709 | - |
| Money Market Mutual Funds | 298,277 | 298,277 | - | - |
| Corporate Notes | 7,804,600 | 7,804,600 | - | - |
| Governmental Notes | 4,192,459 | 4,192,459 | - | - |
| Total investments by fair value level | \$ 18,098,752 | \$ 12,295,336 | \$ 5,803,415 | \$ - |

The fair values of the PTIF investments, and Certificates of Deposit are measured using the Level 2 inputs as noted above.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The following is a summary of the District's cash and investments as of December 31, 2025:

| | <u>Carrying Value</u> | <u>Fair Value Factor</u> | <u>Fair Value</u> | <u>Credit Rating</u> | <u>Weighted Ave. Maturity (Years)</u> |
|---|---------------------------|------------------------------|----------------------|--------------------------|---|
| Cash on hand and on deposit | | | | | |
| Cash on deposit | \$ 1,934,452 | 1 | \$ 1,934,452 | N/A | N/A |
| Utah State Treasurer's investment pool accounts | <u>22,095,188</u> | 1.00228826 | <u>22,145,748</u> | Unrated | 0.12 |
| Total cash on hand and deposit | <u>24,029,640</u> | | <u>24,080,200</u> | | |
| Investments | | | | | |
| UT ST Treasurer's PTIF | 2,038,043 | 1.00228826 | 2,042,706 | Unrated | 0.12 |
| Certificates of Deposit | 3,760,709 | 1 | 3,760,709 | | 2.08 |
| Money Market Mutual Funds | 298,277 | 1 | 298,277 | | 0.00 |
| Corporate Notes | 7,804,600 | 1 | 7,804,600 | A- to AA | 1.47 |
| Governmental Notes | <u>4,192,459</u> | 1 | <u>4,192,459</u> | AAA | 4.17 |
| Total Investments | <u>18,094,088</u> | | <u>18,098,752</u> | | |
| Total cash on hand and deposit and Investments | <u>\$ 42,123,728</u> | | <u>\$ 42,178,951</u> | | |

The following is a summary of the District's cash and investments as of December 31, 2025:

| | <u>Carrying Amount</u> |
|---|----------------------------|
| As Reported on the Statement of Net Position: | |
| Unrestricted cash and cash equivalents | \$ 20,951,615 |
| Restricted cash and cash equivalents | 3,078,025 |
| Marketable securities | <u>18,094,088</u> |
| Total Cash and Investments | <u>\$ 42,123,728</u> |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2025:

| | Beginning Balance | Additions / Transfers In | Deletions / Transfers Out | Ending Balance |
|---|------------------------------|-------------------------------------|--------------------------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land and water rights | \$ 4,829,713 | \$ 219,234 | \$ (32,133) | \$ 5,016,814 |
| Construction in progress | 2,989,160 | 13,759,320 | (1,638,250) | 15,110,230 |
| Total Capital Assets not being depreciated | 7,818,873 | 13,978,554 | (1,670,383) | 20,127,044 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 12,305,317 | 38,039 | (9,572) | 12,333,784 |
| Water System | 151,431,299 | 8,640,620 | (1,197,697) | 158,874,222 |
| Sewage pumping plant | 29,561,176 | 453,149 | (191,786) | 29,822,539 |
| Sewage collection lines | 86,582,263 | 4,758,193 | (267,358) | 91,073,098 |
| Transportation equipment | 4,943,826 | 738,098 | (63,095) | 5,618,829 |
| Engineering and other equipment | 11,807,395 | 387,370 | - | 12,194,765 |
| Furniture and fixtures | 543,289 | - | - | 543,289 |
| Intangible Lease & SBITA assets | 282,646 | 80,405 | (200,970) | 162,081 |
| Total Capital Assets, being depreciated | 297,457,211 | 15,095,874 | (1,930,478) | 310,622,607 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (5,740,508) | (428,299) | 9,448 | (6,159,359) |
| Water System | (51,832,998) | (4,901,597) | 1,191,652 | (55,542,943) |
| Sewage pumping plant | (13,813,579) | (1,017,545) | 129,219 | (14,701,905) |
| Sewage collection lines | (59,209,982) | (1,689,702) | 262,468 | (60,637,216) |
| Transportation equipment | (3,070,092) | (620,334) | 63,095 | (3,627,331) |
| Engineering and other equipment | (8,877,505) | (804,655) | - | (9,682,160) |
| Furniture and fixtures | (395,533) | (49,534) | - | (445,067) |
| Intangible Lease & SBITA assets | (253,193) | (56,843) | 200,970 | (109,066) |
| Total accumulated depreciation | (143,193,390) | (9,568,509) | 1,856,852 | (150,905,047) |
| Capital Assets, being depreciated, net | 154,263,821 | 5,527,365 | (73,626) | 159,717,560 |
| Property and Equipment, Net | \$ 162,082,694 | \$ 19,505,919 | \$ (1,744,009) | \$ 179,844,604 |

Depreciation expense of \$9,568,509 was charged to expense for the year ended December 31, 2025.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG-TERM LIABILITIES

The following is a summary of the changes in long-term obligations for the year ended December 31, 2025:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Revenue Bonds - Direct Placements | | | | | |
| 2019 Water & Sewer bonds | \$ 16,523,000 | \$ - | \$ (1,008,000) | \$ 15,515,000 | \$ 1,021,000 |
| 2021 Water & Sewer Refunding bonds | 2,820,000 | - | (332,000) | 2,488,000 | 337,000 |
| 2023A Water & Sewer Bonds | 11,000,000 | - | (800,000) | 10,200,000 | 341,000 |
| 2023B Water & Sewer Bonds | 28,210,000 | - | (1,090,000) | 27,120,000 | 1,119,000 |
| Total Revenue Bonds - Direct Placements | 58,553,000 | - | (3,230,000) | 55,323,000 | 2,818,000 |
| Leases | 27,144 | - | (27,144) | - | - |
| Subscriptions | 27,397 | 57,329 | (17,674) | 67,052 | 32,912 |
| Compensated absences | 1,020,953 | 144,356 * | - | 1,165,309 | 407,858 |
| Termination benefits payable | 961,267 | 34,823 | (188,910) | 807,180 | 88,388 |
| Total Long-Term Liabilities | \$ 60,589,761 | \$ 236,508 | \$ (3,463,728) | \$ 57,362,541 | \$ 3,347,158 |

* indicates net increase during the year

Total interest expense incurred on long-term debt for the year ended December 31, 2025 was \$1,314,734.

Revenue Bonds consist of the following:

Revenue Bonds - Direct Placement

2025

Water and Sewer Revenue Bonds, Series 2019, issued in July 2019 with the State of Utah Department of Environmental Quality, the total of the approved \$20,000,000 bond amount, has been fully drawn through December 31, 2023, interest payable due in annual installments on April 1st, and estimated annual principal installments ranging from \$310,000 to \$1,199,000, bearing interest at 1.25%, maturing in April 2039.

\$ 15,515,000

Water and Sewer Revenue Refunding Bonds, Series 2021, original issue of \$3,790,000, issued in March 2021 with the State of Utah Department of Environmental Quality, principal and interest payable due in annual installments on March 1st, with annual principal installments ranging from \$321,000 to \$373,000, bearing interest at 1.5%, maturing in March 2032. The bonds were issued to refund the Water and Sewer Revenue Bonds, Series 2012. The refunding will save the District \$241,930 of debt service expense over the life of the bonds, and will result in an economic gain of \$221,895. The Water and Sewer Revenue Bonds, Series 2012 were issued for improvements in the District's system.

2,488,000

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG-TERM LIABILITIES (Continued)

Water and Sewer Revenue Bonds, Series 2023A, issued in May 2023 with the State of Utah Department of Environmental Quality for a maximum total approved \$13,811,820, \$2,811,820 of which will be forgiven, leaving \$11,000,000 of bond principal remaining to be repaid. Principal and interest payments are payable each January 1, with interest payments beginning January 1, 2024, and principal payments beginning January 2026. The bonds carry interest at 0.5%, and the bond is scheduled to mature January 1, 2053.

\$ 10,200,000

Water and Sewer Revenue Bonds, Series 2023B totaling \$29,000,000 were issued in May 2023. Interest is payable March 1 and September 1 each year, starting in September 2023. Principal payments are due September 1 each year, starting in September 2024. The bonds carry interest rates ranging from 2.6%, to 5.35%. and the bonds mature September 2043.

27,120,000

Total Revenue Bonds - Direct Placement

\$ 55,323,000

During the year, the District made an optional early redemption payment of \$800,000 on the Series 2023A bond. As a result, the scheduled maturity for the Series 2023A bond was reduced from 2055 to 2053.

Leases Payable

Leases payable consisted of direct borrowings with original amounts of \$200,970, monthly lease payments of \$3,384, with interest rates of 1.5%. The final payment on the lease was made in August 2025, therefore no lease payable balance or right-to-use asset balance is reported at December 31, 2025.

Subscription-Based Information Technology Arrangements (SBITA)

2025

During 2022, the District entered into a SBITA for GPS and Telemetry package for District vehicles. The term of the SBITA is 3 years, beginning in November 2022, and ending November 2025, with payments due each January. The District imputed interest at 4.1% to determine the fair value of the SBITA payments. This SBITA was completed during the year.

\$ -

During 2023, the District entered into a SBITA for CCTV sewer inspection cloud licenses. The term of the SBITA is 5 years, beginning in April 2023, and ending April 2028, with payments due each April. The District imputed interest at 4.1% to determine the fair value of the SBITA payments.

8,705

During 2025, the District entered into a SBITA for ESRI software. The term of the SBITA is 3 years, beginning in June 2025, and ending June 2027, with payments due each June. The District imputed interest at 3.6% to determine the fair value of the SBITA payments.

58,347

Total Subscription-Based Information Technology Arrangements

\$ 67,052

The SBITA intangible assets carry a historical cost of \$162,081 and accumulated amortization of \$109,065, and are included in the Intangible lease and SBITA assets.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 4 LONG-TERM LIABILITIES (Continued)

| | |
|--|----------------------------|
| Termination benefits payable | 2025 |
| Post-employment Health Care Benefits-Termination Benefits: See Note 5. | \$ 309,800 |
| Retirement Buyout: See Note 5. | <u>497,380</u> |
| Termination benefits payable | <u>\$ 807,180</u> |
| | |
| Compensated absences payable | 2025 |
| Accrued vacation | \$ 538,915 |
| Accrued sick leave | <u>626,394</u> |
| Compensated absences payable | <u>\$ 1,165,309</u> |

The following summarizes the District's revenue bonds debt service requirements as of December 31, 2025.

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2026 | \$ 2,818,000 | \$ 1,336,731 | \$ 4,154,731 |
| 2027 | 2,872,000 | 1,285,877 | 4,157,877 |
| 2028 | 2,925,000 | 1,232,688 | 4,157,688 |
| 2029 | 2,982,000 | 1,177,110 | 4,159,110 |
| 2030 | 3,039,000 | 1,118,970 | 4,157,970 |
| 2031-2035 | 15,019,000 | 4,640,300 | 19,659,300 |
| 2036-2040 | 14,851,000 | 2,834,910 | 17,685,910 |
| 2041-2045 | 7,766,000 | 715,658 | 8,481,658 |
| 2046-2050 | 1,901,000 | 57,355 | 1,958,355 |
| 2051-2053 | <u>1,150,000</u> | <u>11,450</u> | <u>1,161,450</u> |
| Totals | <u>\$ 55,323,000</u> | <u>\$ 14,411,047</u> | <u>\$ 69,734,047</u> |

The following summarizes the District's scheduled SBITA payments as of December 31, 2025.

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-------------------------|------------------------|-------------------------|
| 2026 | \$ 32,912 | \$ 1,788 | \$ 34,700 |
| 2027 | <u>34,140</u> | <u>558</u> | <u>34,698</u> |
| Totals | <u>\$ 67,052</u> | <u>\$ 2,346</u> | <u>\$ 69,398</u> |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 POST-EMPLOYMENT TERMINATION LIABILITIES

Post-employment Health Care Benefits-Termination Benefits

During 2007, the District began to accrue a post-employment liability for health care benefits to be provided to retired employees who have elected to convert unused sick leave to coverage under the District's group health and accident plan as discussed in Note 1. The liability is determined by multiplying the total number of months of coverage remaining for all retirees by the current insurance rates for medical and dental benefits. As of December 31, 2025, the remaining liability is \$309,800, of which \$88,387 is current.

Retirement Buyout

During 2007, the District also elected to begin accruing a liability for the potential purchase of future service credit from the Utah Retirement Systems (URS) for qualified employees. To qualify for retirement buyout from URS, an employee must have a minimum of 25 years of eligible service for a Tier 1 employee, or 30 years of service for a Tier 2 employee. The District will share in the cost of buyout from 50% to 80% based on an employee's age and years of service. A table found in the District's personnel Rules and Regulations Manual specifies the District's share. The District has 5 eligible employees as of December 31, 2024. Based on calculations obtained using URS's Service Purchase Estimate Calculator and the specified share from the table for each employee, the District has estimated the retirement buyout liability to be \$497,380.

NOTE 6 RETIREMENT AND BENEFIT PLANS

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

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

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

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

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

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

* Actuarial reductions are applied

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Contributions Rate Summary

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

| Utah Retirement Systems | Employee | Employer | Employer 401(k) |
|--|----------|----------|--------------------|
| Contributory System | | | |
| 111 - Local Governmental Division Tier 2 | 0.81 | 14.19 | N/A |
| Noncontributory System | | | |
| 15 - Local Governmental Division Tier 1 | N/A | 15.97 | N/A |
| Tier 2 DC Only | | | |
| 211 - Local Government | N/A | 4.19 | 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, 2025, the employer and employee contributions to the Systems were as follows:

| <u>System</u> | <u>Employer Contributions</u> | <u>Employee Contributions</u> |
|--------------------------------|-----------------------------------|-----------------------------------|
| Noncontributory System | \$ 470,260 | \$ - |
| Tier 2 Public Employees System | 407,582 | 20,980 |
| Tier 2 DC Only System | 37,883 | - |
| Total Contributions | <u>\$ 915,725</u> | <u>\$ 20,980</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, 2025, we reported a net pension asset of \$0 and a net pension liability of \$1,294,520.

| | (Measurement Date): December 31, 2024 | | | | |
|-----------------------------------|---------------------------------------|--------------------------|------------------------|--|----------------------|
| | Net Pension Asset | Net Pension Liability | Proportionate Share | Proportionate share December 31, 2023 | Change (Decrease) |
| Noncontributory System | \$ - | \$ 1,036,702 | 0.3269203% | 0.3456517% | -0.0187314% |
| Tier 2 Public Employees System | - | 257,818 | 0.0864467% | 0.0871010% | -0.0006543% |
| Total net pension asset/liability | <u>\$ -</u> | <u>\$ 1,294,520</u> | | | |

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

For the year ended December 31, 2025, we recognized pension expense of \$1,232,799.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 729,182 | \$ 1,776 |
| Changes in assumptions | 171,862 | 27 |
| Net difference between projected and actual earnings on pension plan investments | 328,750 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 46,052 | 5,918 |
| Contributions subsequent to the measurement date | 915,725 | - |
| Total | <u>\$ 2,191,571</u> | <u>\$ 7,721</u> |

The \$915,725 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

| Year Ended December 31, | Deferred Outflows (inflow) of Resources |
|-------------------------|--|
| 2025 | \$ 625,347 |
| 2026 | 618,549 |
| 2027 | (106,517) |
| 2028 | 1,549 |
| 2029 | 57,765 |
| Thereafter | 71,432 |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

For the year ended December 31, 2025, we recognized pension expense of \$950,821.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 617,725 | \$ - |
| Changes in assumptions | 85,754 | - |
| Net difference between projected and actual earnings on pension plan investments | 312,272 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 3,154 | 1,274 |
| Contributions subsequent to the measurement date | 470,260 | - |
| Total | \$ 1,489,165 | \$ 1,274 |

The \$470,260 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Deferred Outflows (inflow) of Resources |
|-------------------------|--|
| 2025 | \$ 595,232 |
| 2026 | 572,246 |
| 2027 | (126,710) |
| 2028 | (23,137) |
| 2029 | - |
| Thereafter | - |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

For the year ended December 31, 2025, we recognized pension expense of \$281,977.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 111,457 | \$ 1,776 |
| Changes in assumptions | 86,108 | 27 |
| Net difference between projected and actual earnings on pension plan investments | 16,478 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 42,898 | 4,644 |
| Contributions subsequent to the measurement date | 445,465 | - |
| Total | \$ 702,406 | \$ 6,447 |

The \$445,465 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Deferred Outflows (inflow) of Resources |
|-------------------------|--|
| 2025 | \$ 30,115 |
| 2026 | 46,303 |
| 2027 | 20,193 |
| 2028 | 24,686 |
| 2029 | 57,765 |
| Thereafter | 71,432 |

Actuarial assumptions: The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.50 Percent |
| Salary Increases | 3.5 – 9.5 percent, average, including inflation |
| Investment Rate of Return | 6.85 percent, net of pension plan investment expense, including inflation |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

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

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

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

| Asset Class | Expected Return Arithmetic Basis | | |
|------------------------------------|----------------------------------|------------------------------|--|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 35% | 7.01% | 2.45% |
| Debt securities | 20% | 2.54% | 0.51% |
| Real assets | 18% | 5.45% | 0.98% |
| Private equity | 12% | 10.05% | 1.21% |
| Absolute return | 15% | 4.36% | 0.65% |
| Cash and cash equivalents | 0% | 0.49% | 0.00% |
| Total | 100% | | 5.80% |
| Inflation | | | 2.50% |
| Expected arithmetic nominal return | | | 8.30% |

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

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

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 RETIREMENT AND BENEFIT PLANS (Continued)

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.85 percent) or 1.00 percentage point higher (7.85 percent) than the current rate:

| <u>System</u> | <u>1% Decrease (5.85%)</u> | <u>Discount Rate (6.85%)</u> | <u>1% Increase (7.85%)</u> |
|-------------------------------|----------------------------|----------------------------------|----------------------------|
| Noncontributory System | \$ 4,384,400 | \$ 1,036,702 | \$ (1,770,933) |
| Tier 2 Public Employee System | 770,039 | 257,818 | (140,640) |
| Total | \$ 5,154,439 | \$ 1,294,520 | \$ (1,911,573) |

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
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

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

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|------------------------|-------------|-------------|-------------|
| 401(k) Plan | | | |
| Employer Contributions | \$ 82,037 | \$ 68,472 | \$ 71,663 |
| Employee Contributions | 3,223 | 3,105 | 1,450 |
| 457 Plan | | | |
| Employer Contributions | \$ 4,105 | \$ 1,468 | \$ 3,441 |
| Employee Contributions | 7,330 | 5,754 | 7,971 |
| Roth IRA Plan | | | |
| Employer Contributions | N/A | N/A | N/A |
| Employee Contributions | \$ 25,480 | \$ 22,000 | \$ 27,500 |
| Traditional IRA | | | |
| Employer Contributions | N/A | N/A | N/A |
| Employee Contributions | \$ 175 | \$ - | \$ - |

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY

During 1978, the District entered into a joint venture with four other special districts and two cities. The joint venture was organized to construct and operate a regional sewage treatment facility for the benefit of the seven members. The seven members and their related ownership interest, as of December 31, 2025, are as follows:

| | Proportionate Share |
|---|------------------------|
| Cottonwood Improvement District | 15.70% |
| Mt. Olympus Improvement District | 24.80% |
| Granger-Hunter Improvement District | 25.36% |
| Kearns Improvement District | 11.10% |
| Murray City | 7.63% |
| South Salt Lake City | 4.88% |
| Taylorsville-Bennion Improvement District | 10.53% |
| Net Position | 100.00% |

The Joint venture is administered by a joint administration board. Each member entity appoints one member to the board, and voting power is not related to ownership. Therefore, each member is equal to another for voting privileges. The joint venture is responsible for adopting a budget and financing its operations, subject to approval by each of the seven members.

The District accounts for its investment in Central Valley Water Reclamation Facility (Central Valley) using the equity method of accounting. Summarized financial information of Central Valley as of December 31, 2025, and for the year then ended is as follows:

| | 2025 | 2024 |
|-----------------------------|----------------|----------------|
| Total assets | \$ 613,467,760 | \$ 607,176,372 |
| Total net position | 203,565,620 | 184,373,995 |
| Operating revenues | 28,772,070 | 25,749,066 |
| Change in net position | 19,191,625 | 13,381,017 |
| The District's interest in: | | |
| Net position | 51,624,241 | 46,019,749 |
| Change in net position | 4,866,996 | 3,393,426 |

In prior years the District has recorded its previous proportionate share (24.58%) of the government grants received by Central Valley as an addition to the District's investments in Central Valley and to the District's contributions in aid to construction. All expenses (except depreciation) incurred by Central Valley are billed to its members. Accordingly, the District's equity in net losses of Central Valley annually is billed to the District. The District's equity in net losses of Central Valley annually approximates its share of Central Valley's depreciation expense. Audited statements are available at Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 7 CENTRAL VALLEY WATER RECLAMATION FACILITY (Continued)

The District incurred the following costs from the joint venture for the year ended December 31, 2025:

| | | |
|----------------------------|----|-----------|
| Pretreatment Field | \$ | 412,849 |
| Laboratory | | 349,502 |
| Administration | \$ | 762,351 |
| Operations and maintenance | | 6,652,260 |
| Total | \$ | 7,414,611 |

The District owed a balance of \$1,945,198 to Central Valley as of December 31, 2025 for wastewater treatment. This amount is included in accounts payable in the statement of net position.

NOTE 8 COMMITMENTS AND CONTINGENCIES

An agreement has been made with Jordan Valley Water Conservancy District (JVWCD), which provides, in general, that the District will purchase a minimum amount of water each year from the JVWCD (17,000 acre feet in 2025). During 2025, the District purchased 19,558 acre feet, 2,558 more than contracted. The cost of the 2025 water purchases was \$12,381,938.

During the year the District entered into contracts for construction of water and wastewater facilities. As of December 31, 2025, there was approximately \$10,815,368 outstanding on these contracts.

The District's 2019 Series and 2023B Series bonds require net water revenue of 125% of the current bond principal payments and any other obligations secured by those pledges. The District met the net water revenue requirement for the year ended December 31, 2025.

During 2017 the District entered into a pledge with Central Valley Water Reclamation Facility (CVWRF). The pledge commits the District to make monthly payments to CVWRF for its share of 2017A series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. Three of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and three other entities pledged to service the bonds which as of December 31, 2025 had a \$20,185,000 outstanding balance. The District's pledge at December 31, 2025 represents a 47.34% share of the outstanding bond principal, or a commitment of \$9,555,579. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

During 2019 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2019A series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. Three of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and three other entities pledged to service the bonds which as of December 31, 2025 had an outstanding balance of \$27,950,000. This District's pledge at December 31, 2025 represents a 42.42% share of the outstanding bond principal, or a commitment of \$11,856,390. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 COMMITMENTS AND CONTINGENCIES (Continued)

During 2020 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2020 State Revolving Fund Note issued by CVWRF for infrastructure rehabilitation and construction. One of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and five other entities pledged to service the note which as of December 31, 2025 had an outstanding balance of \$56,528,000. This District's pledge at December 31, 2025 represents a 26.66% share of the outstanding bond principal, or a commitment of \$15,070,365. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021B series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. None of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and six other entities pledged to service the bonds which as of December 31, 2025 had an outstanding balance of \$20,375,000. This District's pledge at December 31, 2025 represents a 25.36% share of the outstanding bond principal, or a commitment of \$5,167,100. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021C series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. One of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and five other entities pledged to service the bonds which as of December 31, 2025 had an outstanding balance of \$118,265,000. This District's pledge at December 31, 2025 represents a 26.66% share of the outstanding bond principal, or a commitment of \$31,529,449. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

During 2021 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2021 Bank of Utah Note issued by CVWRF for infrastructure rehabilitation and construction. None of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and six other entities pledged to service the note which as of December 31, 2025 had an outstanding balance of \$20,524,000. This District's pledge at December 31, 2025 represents a 25.36% share of the outstanding bond principal, or a commitment of \$5,204,886. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

During 2024 the District entered into a pledge with CVWRF. The pledge commits the District to make monthly payments to CVWRF for its share of 2024A series sewer revenue bonds issued by CVWRF for infrastructure rehabilitation and construction. One of the participants in the CVWRF joint venture pledged cash for their share of the infrastructure costs, while the District and five other entities pledged to service the bonds which as of December 31, 2025 had an outstanding balance of \$83,015,000. This District's pledge at December 31, 2025 represents a 28.53% share of the outstanding bond principal, or a commitment of \$23,684,180. All seven entities which participate in the joint venture have pledged to cover any debt service shortfall should another entity fail to meet its commitment.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District has commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10 SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 21, 2026 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Measurement Date of December 31, 2023
DECEMBER 31, 2025
Last 10 Fiscal Years

| For the year ended December 31, | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll | Plan fiduciary net position as a percentage of the total pension liability (asset) |
|---------------------------------------|---|---|--------------------|--|--|
| Noncontributory System | | | | | |
| 2015 | 0.4334689% | \$ 2,452,778 | \$ 3,712,393 | 66.07% | 87.8% |
| 2016 | 0.4027547% | 2,586,178 | 3,491,188 | 74.08% | 87.3% |
| 2017 | 0.3818030% | 1,672,793 | 3,168,975 | 52.79% | 91.9% |
| 2018 | 0.3782173% | 2,785,088 | 3,110,000 | 89.55% | 87.0% |
| 2019 | 0.3788600% | 1,427,874 | 3,104,046 | 46.00% | 93.7% |
| 2020 | 0.3476725% | 178,336 | 2,794,974 | 6.38% | 99.2% |
| 2021 | 0.3302095% | (1,891,145) | 2,576,829 | -73.39% | 108.7% |
| 2022 | 0.3384998% | 579,765 | 2,799,024 | 20.71% | 97.5% |
| 2023 | 0.3456517% | 801,762 | 2,983,782 | 26.87% | 96.9% |
| 2024 | 0.3269203% | 1,036,702 | 2,828,218 | 36.66% | 96.0% |
| Tier 2 Public Employees System | | | | | |
| 2015 | 0.0639096% | \$ (140) | \$ 412,991 | -0.03% | 100.2% |
| 2016 | 0.0788265% | 8,793 | 646,440 | 1.36% | 95.1% |
| 2017 | 0.1067205% | 9,409 | 1,043,478 | 0.90% | 97.4% |
| 2018 | 0.1102929% | 47,236 | 1,287,060 | 3.67% | 90.8% |
| 2019 | 0.1082533% | 24,347 | 1,504,953 | 1.62% | 96.5% |
| 2020 | 0.1020340% | 14,675 | 1,631,493 | 0.90% | 98.3% |
| 2021 | 0.1028368% | (43,524) | 1,909,157 | -2.28% | 103.8% |
| 2022 | 0.0892944% | 97,232 | 1,946,942 | 4.99% | 92.3% |
| 2023 | 0.0871010% | 169,532 | 2,251,862 | 7.53% | 89.6% |
| 2024 | 0.0864467% | 257,818 | 2,560,521 | 10.07% | 87.4% |

GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS**
DECEMBER 31, 2025
Last 10 Fiscal Years

| 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 employee payroll |
|--|--|--|--|-----------------|---|
| Noncontributory System | | | | | |
| 2016 | \$ 644,822 | \$ 644,822 | \$ - | \$ 3,648,277 | 17.67% |
| 2017 | 585,239 | 585,239 | - | 3,188,044 | 18.36% |
| 2018 | 573,793 | 573,793 | - | 3,168,591 | 18.11% |
| 2019 | 572,915 | 572,915 | - | 3,194,376 | 17.94% |
| 2020 | 515,596 | 515,596 | - | 2,988,189 | 17.25% |
| 2021 | 475,960 | 475,960 | - | 2,641,305 | 18.02% |
| 2022 | 509,718 | 509,718 | - | 2,805,038 | 18.17% |
| 2023 | 536,138 | 536,138 | - | 2,993,025 | 17.91% |
| 2024 | 492,148 | 492,148 | - | 2,822,850 | 17.43% |
| 2025 | 470,260 | 470,260 | - | 2,854,602 | 16.47% |
| Tier 2 Public Employees System* | | | | | |
| 2016 | \$ 96,384 | \$ 96,384 | \$ - | \$ 647,946 | 14.88% |
| 2017 | 156,717 | 156,717 | - | 1,047,558 | 14.96% |
| 2018 | 197,319 | 197,319 | - | 1,287,113 | 15.33% |
| 2019 | 234,519 | 234,519 | - | 1,511,854 | 15.51% |
| 2020 | 256,567 | 256,567 | - | 1,636,845 | 15.67% |
| 2021 | 304,638 | 304,638 | - | 1,938,209 | 15.72% |
| 2022 | 312,872 | 312,872 | - | 1,969,134 | 15.89% |
| 2023 | 360,380 | 360,380 | - | 2,270,757 | 15.87% |
| 2024 | 397,983 | 397,983 | - | 2,560,521 | 15.54% |
| 2025 | 407,582 | 407,582 | - | 2,775,943 | 14.68% |
| Tier 2 Public Employees DC Only System* | | | | | |
| 2016 | \$ - | \$ - | \$ - | \$ - | 0.00% |
| 2017 | 243 | 243 | - | 3,663 | 6.63% |
| 2018 | 3,683 | 3,683 | - | 49,486 | 7.44% |
| 2019 | 10,701 | 10,701 | - | 156,809 | 6.82% |
| 2020 | 15,132 | 15,132 | - | 226,472 | 6.68% |
| 2021 | 19,363 | 19,363 | - | 292,482 | 6.62% |
| 2022 | 34,210 | 34,210 | - | 533,731 | 6.41% |
| 2023 | 41,621 | 41,621 | - | 678,628 | 6.13% |
| 2024 | 36,925 | 36,925 | - | 658,214 | 5.61% |
| 2025 | 37,883 | 37,883 | - | 814,547 | 4.65% |

* 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.

** Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2025**

Changes in assumptions:

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

SUPPLEMENTARY INFORMATION

**GRANGER-HUNTER IMPROVEMENT DISTRICT
BUDGET TO ACTUAL COMPARISON
Year ended December 31, 2025**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------|----------------------|----------------------|
| Revenues | | | |
| Metered water sales | \$ 26,661,000 | \$ 27,423,161 | \$ 762,161 |
| Sewer service charges | 22,992,000 | 24,302,566 | 1,310,566 |
| Interest income | 600,000 | 1,959,649 | 1,359,649 |
| Property taxes | 7,156,600 | 7,298,016 | 141,416 |
| Engineering | 61,000 | 151,784 | 90,784 |
| Impact fees | 725,000 | 1,106,069 | 381,069 |
| Connection and turn-off fees | 70,000 | 119,532 | 49,532 |
| Inspection | 100,000 | 224,524 | 124,524 |
| Grant revenue | 5,803,000 | 5,819,538 | 16,538 |
| Other income | 249,000 | 165,175 | (83,825) |
| Total Revenues | <u>64,417,600</u> | <u>68,570,014</u> | <u>4,152,414</u> |
| Expenditures | | | |
| Salaries and wages | 6,865,153 | 6,752,717 | 112,436 |
| Employee benefits | 4,243,722 | 3,587,590 | 656,132 |
| Materials and supplies | 1,541,541 | 1,639,496 | (97,955) |
| Postage and mailing | 179,350 | 166,407 | 12,943 |
| Water purchased | 12,249,425 | 12,381,938 | (132,513) |
| Computer system | 552,502 | 380,796 | 171,706 |
| Building maintenance | 223,410 | 211,137 | 12,273 |
| Water quality expense | 80,930 | 47,046 | 33,884 |
| Bank expenses | 423,500 | 407,668 | 15,832 |
| Gas and diesel | 155,700 | 144,903 | 10,797 |
| Insurance | 397,835 | 275,611 | 122,224 |
| Utilities | 966,700 | 1,002,085 | (35,385) |
| Telephone | 121,440 | 111,834 | 9,606 |
| Professional fees | 335,210 | 270,307 | 64,903 |
| Seminars and training | 104,450 | 77,233 | 27,217 |
| Interest expense | 1,364,332 | 1,314,734 | 49,598 |
| Central Valley expense | 17,484,077 | 7,414,611 | 10,069,466 |
| Equipment and tools purchases | 914,200 | 9,560 | 904,640 |
| Contingency | 180,000 | - | 180,000 |
| Vehicle Lease | 33,000 | (2,185) | 35,185 |
| Safety expense | 67,725 | 42,477 | 25,248 |
| Pension adjustment | - | 315,495 | (315,495) |
| Miscellaneous | 284,012 | 147,238 | 136,774 |
| Total Expenditures | <u>48,768,214</u> | <u>36,698,698</u> | <u>12,069,516</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 15,649,386</u> | <u>\$ 31,871,316</u> | <u>\$ 16,221,930</u> |
| Infrastructure purchases | 22,887,571 | 21,507,848 | 1,379,723 |
| Reconciliation of Excess (Deficiency) of Revenues Over Expenditures to Change in Net Position | | | |
| Excess of revenues over expenditures | | \$ 31,871,316 | |
| Capital contributions | | 5,709,096 | |
| Depreciation | | (9,568,509) | |
| Equity in net gain/(loss) of Central Valley | | (4,591,216) | |
| Gain/(Loss) on fixed asset retirement | | 150,975 | |
| Donation to other entities | | (411,592) | |
| Change in Net Position | | <u>\$ 23,160,070</u> | |

GRANGER-HUNTER IMPROVEMENT DISTRICT

SUPPLEMENTAL REPORTS

DECEMBER 31, 2025

**GRANGER-HUNTER IMPROVEMENT DISTRICT
SUPPLEMENTAL REPORTS
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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Trustees
Granger-Hunter Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Granger-Hunter Improvement District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 21, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

K&C, CPAs LLC

K&C, Certified Public Accountants
Woods Cross, Utah
April 21, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Trustees
Granger-Hunter Improvement District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Granger-Hunter Improvement District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended December 31, 2025. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Granger-Hunter Improvement District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor’s Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Granger-Hunter Improvement District as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated April 21, 2026, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

K&C, CPAs LLC

K&C, Certified Public Accountants
Woods Cross, Utah
April 21, 2026

**GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2025**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Passed Through to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|--|--|---|--|---------------------------------------|
| Environmental Protection Agency | | | | |
| Passed through State of Utah - | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | 4E96886901 | \$ - | \$ 2,500,000 |
| Total Environmental Protection Agency | | | - | 2,500,000 |
| Bureau of Reclamation | | | | |
| Reclamation States Emergency Drought Relief | 15.514 | | - | 3,218,653 |
| WaterSMART | 15.507 | | - | 7,634 |
| Total Bureau of Reclamation | | | - | 3,226,287 |
| Federal Emergency Management Agency | | | | |
| Passed through State of Utah Department of Public Safety, Division of Emergency Management | | | | |
| Building Resilient Infrastructure & Communities (BRIC) | 97.047 | EMD-2022-BR-009-0021 | - | 10,895 |
| Total Federal Emergency Management Agency | | | - | 10,895 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 5,737,182 |

GRANGER-HUNTER IMPROVEMENT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Granger-Hunter Improvement District (the District) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**GRANGER-HUNTER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2025**

I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 2. Type of auditor’s report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major federal programs: | |

| | |
|----------------------------------|--|
| <u>Assistance Listing Number</u> | <i>Name of Federal Program or Cluster</i> |
| 15.514 | Reclamation States Emergency Drought Relief |

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$1,000,000 |
| 6. Auditee qualified as low-risk auditee? | No |

II. FINANCIAL STATEMENT FINDINGS

None Noted

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None Noted

Summary Schedule of Prior Year Findings:

2024-001 – Special Tests and Provisions – Wage Rate Requirements

Finding: The District contracted with a consulting engineering firm to oversee the contractor’s work, including compliance with Federal requirements. Neither the Consultant nor the District requested certified payroll records from the Contractor, and the Contractor did not prepare those certified payroll reports, as required by the Wage Rate Requirements. As a result, we were unable to test whether the District had complied with the Wage Rate Requirements for that Contractor.

Current Status: The District has performed corrective action, and no similar finding was noted in the current year.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY
THE STATE COMPLIANCE AUDIT GUIDE**



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Board of Trustees
Granger-Hunter Improvement District

Report On Compliance

We have audited Granger-Hunter Improvement District’s (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on the District for the year ended December 31, 2025.

State compliance requirements were tested for the year ended December 31, 2025 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Governmental Fees
- Impact Fees
- Utah Retirement Systems

Opinion on Compliance

In our opinion, Granger-Hunter Improvement District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material

if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Purpose of this Report

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 Guide. Accordingly, this report is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G, Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

K&C, CPAs LLC

K&C, Certified Public Accountants
Woods Cross, Utah
April 21, 2026