

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**

**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

|                                                                                                                                                                                                                                                          |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>                                                                                                                                                                                                                      | <b>I</b>  |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                                                                                                                                                                                        |           |
| <b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>                                                                                                                                                                                                              |           |
| <b>STATEMENT OF NET POSITION</b>                                                                                                                                                                                                                         | <b>1</b>  |
| <b>STATEMENT OF ACTIVITIES</b>                                                                                                                                                                                                                           | <b>2</b>  |
| <b>FUND FINANCIAL STATEMENTS</b>                                                                                                                                                                                                                         |           |
| <b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>                                                                                                                                                                                                                | <b>3</b>  |
| <b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN<br/>        FUND BALANCES – GOVERNMENTAL FUNDS</b>                                                                                                                                                | <b>4</b>  |
| <b>RECONCILIATION OF THE STATEMENT OF REVENUES,<br/>        EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE<br/>        GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>                                                                          | <b>5</b>  |
| <b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND<br/>        CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>                                                                                                                                   | <b>6</b>  |
| <b>NOTES TO BASIC FINANCIAL STATEMENTS</b>                                                                                                                                                                                                               | <b>7</b>  |
| <b>SUPPLEMENTARY INFORMATION</b>                                                                                                                                                                                                                         |           |
| <b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,<br/>    AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>                                                                                                                                   | <b>21</b> |
| <b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,<br/>    EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND<br/>    ACTUAL</b>                                                                                                                       | <b>22</b> |
| <b>OTHER INFORMATION</b>                                                                                                                                                                                                                                 |           |
| <b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY</b>                                                                                                                                                                                                 | <b>24</b> |
| <b>COMPLIANCE REPORTING</b>                                                                                                                                                                                                                              |           |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>    FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>    BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br/>    ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | <b>27</b> |
| <b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON<br/>    INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE<br/>    STATE COMPLIANCE AUDIT GUIDE</b>                                                                                         | <b>29</b> |
| <b>SCHEDULE OF FINDINGS AND RECOMMENDATIONS</b>                                                                                                                                                                                                          | <b>31</b> |
| <b>RESPONSE TO THE FINDINGS AND RECOMMENDATIONS</b>                                                                                                                                                                                                      | <b>33</b> |

## **BASIC FINANCIAL STATEMENTS**



## **Independent Auditor's Report**

Members of the Board  
Jepson Canyon PID

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jepson Canyon PID, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Jepson Canyon PID's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jepson Canyon PID, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jepson Canyon PID's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jepson Canyon PID's internal control. Accordingly, no such opinion is expressed.<sup>5</sup>
- 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 Jepson Canyon PID'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***

Management has omitted the management's discussion and analysis that accounting principals generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jepson Canyon PID's basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Debt Service Fund and the Capital Projects Fund, and the Schedule of Debt Service Requirements to Maturity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Debt Service Fund and the Capital Projects Fund, and the schedule of Schedule of Debt Service Requirements to Maturity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Debt Service Fund and the Capital Projects Fund, and the Schedule of Debt Service Requirements to Maturity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2024 on our consideration of Jepson Canyon PID's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Jepson Canyon PID's internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

HintonBurdick, PLLC

St. George, Utah

April 12, 2024

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

|                                       | Governmental<br>Activities   |
|---------------------------------------|------------------------------|
| <b>ASSETS</b>                         |                              |
| Cash and Investments - Restricted     | \$ 2,911,943                 |
| Capital Assets, Not Being Depreciated | 2,706,546                    |
| Total Assets                          | <u>5,618,489</u>             |
| <b>LIABILITIES</b>                    |                              |
| Accounts Payable                      | 4,318                        |
| Accrued Bond Interest Payable         | 279,953                      |
| Noncurrent Liabilities:               |                              |
| Due in More Than One Year             | <u>7,177,641</u>             |
| Total Liabilities                     | <u>7,461,912</u>             |
| <b>NET POSITION</b>                   |                              |
| Unrestricted                          | <u>(1,843,423)</u>           |
| Total Net Position                    | <u><u>\$ (1,843,423)</u></u> |

*See accompanying Notes to Basic Financial Statements.*

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

|                                                 |                     | Program Revenues           |                                          |                                        | Net Revenues<br>(Expenses) and<br>Change in<br>Net Position |
|-------------------------------------------------|---------------------|----------------------------|------------------------------------------|----------------------------------------|-------------------------------------------------------------|
|                                                 | Expenses            | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                  |
| <b>FUNCTIONS/PROGRAMS</b>                       |                     |                            |                                          |                                        |                                                             |
| Primary Government:                             |                     |                            |                                          |                                        |                                                             |
| Governmental Activities:                        |                     |                            |                                          |                                        |                                                             |
| General Government                              | \$ 1,064,947        | \$ -                       | \$ -                                     | \$ -                                   | \$ (1,064,947)                                              |
| Interest and Related Costs on<br>Long-Term Debt | 803,595             | -                          | -                                        | -                                      | (803,595)                                                   |
| Total Governmental Activities                   | <u>\$ 1,868,542</u> | <u>\$ -</u>                | <u>\$ -</u>                              | <u>\$ -</u>                            | (1,868,542)                                                 |
| <b>GENERAL REVENUES</b>                         |                     |                            |                                          |                                        |                                                             |
| Net Investment Income                           |                     |                            |                                          |                                        | 25,119                                                      |
| Total General Revenues                          |                     |                            |                                          |                                        | <u>25,119</u>                                               |
| <b>CHANGE IN NET POSITION</b>                   |                     |                            |                                          |                                        | (1,843,423)                                                 |
| Net Position - Beginning of Year                |                     |                            |                                          |                                        | -                                                           |
| <b>NET POSITION - END OF YEAR</b>               |                     |                            |                                          |                                        | <u>\$ (1,843,423)</u>                                       |

See accompanying Notes to Basic Financial Statements.



**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

|                                      | General        | Debt<br>Service     | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--------------------------------------|----------------|---------------------|---------------------|--------------------------------|
| <b>ASSETS</b>                        |                |                     |                     |                                |
| Cash and Investments - Restricted    | \$ -           | \$ 1,593,099        | \$ 1,318,844        | \$ 2,911,943                   |
| Total Assets                         | <u>\$ -</u>    | <u>\$ 1,593,099</u> | <u>\$ 1,318,844</u> | <u>\$ 2,911,943</u>            |
| <b>LIABILITIES AND FUND BALANCES</b> |                |                     |                     |                                |
| <b>LIABILITIES</b>                   |                |                     |                     |                                |
| Accounts Payable                     | \$ 4,318       | \$ -                | \$ -                | \$ 4,318                       |
| Total Liabilities                    | 4,318          | -                   | -                   | 4,318                          |
| <b>FUND BALANCES</b>                 |                |                     |                     |                                |
| Restricted for:                      |                |                     |                     |                                |
| Debt Service                         | -              | 1,593,099           | -                   | 1,593,099                      |
| Capital Projects                     | -              | -                   | 1,318,844           | 1,318,844                      |
| Unassigned:                          |                |                     |                     |                                |
| General Government                   | (4,318)        | -                   | -                   | (4,318)                        |
| Total Fund Balances                  | <u>(4,318)</u> | <u>1,593,099</u>    | <u>1,318,844</u>    | <u>2,907,625</u>               |
| Total Liabilities and Fund Balances  | <u>\$ -</u>    | <u>\$ 1,593,099</u> | <u>\$ 1,318,844</u> |                                |

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

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

|                          |           |
|--------------------------|-----------|
| Construction in Progress | 2,706,546 |
|--------------------------|-----------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

|                                                |                  |
|------------------------------------------------|------------------|
| Bonds Payable Series 2022A                     | (7,134,000)      |
| Accrued Interest on 2022B Bonds Payable        | (43,641)         |
| Accrued Interest Payable - Change in Liability | <u>(279,953)</u> |

|                                         |                       |
|-----------------------------------------|-----------------------|
| Net Position of Governmental Activities | <u>\$ (1,843,423)</u> |
|-----------------------------------------|-----------------------|

See accompanying Notes to Basic Financial Statements.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**

|                                                         | General    | Debt<br>Service | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---------------------------------------------------------|------------|-----------------|---------------------|--------------------------------|
| <b>REVENUES</b>                                         |            |                 |                     |                                |
| Net Investment Income                                   | \$ -       | \$ 12,862       | \$ 12,257           | \$ 25,119                      |
| Total Revenues                                          | -          | 12,862          | 12,257              | 25,119                         |
| <b>EXPENDITURES</b>                                     |            |                 |                     |                                |
| Current:                                                |            |                 |                     |                                |
| Accounting                                              | 8,911      | -               | -                   | 8,911                          |
| Insurance and Bonds                                     | 2,498      | -               | -                   | 2,498                          |
| Legal                                                   | 33,654     | -               | 19,884              | 53,538                         |
| Debt Service:                                           |            |                 |                     |                                |
| Interest - Bonds                                        | -          | 33,594          | -                   | 33,594                         |
| Capital Projects:                                       |            |                 |                     |                                |
| Bond Issue Costs                                        | -          | -               | 446,407             | 446,407                        |
| Capital Outlay                                          | -          | -               | 2,706,546           | 2,706,546                      |
| Contribution expense for water shares                   | -          | -               | 1,000,000           | 1,000,000                      |
| Total Expenditures                                      | 45,063     | 33,594          | 4,172,837           | 4,251,494                      |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | (45,063)   | (20,732)        | (4,160,580)         | (4,226,375)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |            |                 |                     |                                |
| Bond Proceeds - Series 2022A                            | -          | -               | 6,555,000           | 6,555,000                      |
| Bond Proceeds - Series 2022B                            | -          | -               | 579,000             | 579,000                        |
| Transfers from Other Funds                              | 40,745     | 1,613,831       | -                   | 1,654,576                      |
| Transfers to Other Funds                                | -          | -               | (1,654,576)         | (1,654,576)                    |
| Total Other Financing Sources (Uses)                    | 40,745     | 1,613,831       | 5,479,424           | 7,134,000                      |
| <b>NET CHANGE IN FUND BALANCES</b>                      | (4,318)    | 1,593,099       | 1,318,844           | 2,907,625                      |
| Fund Balances - Beginning of Year                       | -          | -               | -                   | -                              |
| <b>FUND BALANCES - END OF YEAR</b>                      | \$ (4,318) | \$ 1,593,099    | \$ 1,318,844        | \$ 2,907,625                   |

See accompanying Notes to Basic Financial Statements.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

|                                                  |              |
|--------------------------------------------------|--------------|
| Net Change in Fund Balances - Governmental Funds | \$ 2,907,625 |
|--------------------------------------------------|--------------|

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay and depreciation expense in the current period are as follows:

|                          |           |
|--------------------------|-----------|
| Construction in Progress | 2,706,546 |
|--------------------------|-----------|

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

|                                         |             |
|-----------------------------------------|-------------|
| Proceeds from Series 2022A Bonds        | (6,555,000) |
| Proceeds from Series 2022B Bonds        | (579,000)   |
| Accrued interest on 2022B Bonds Payable | (43,641)    |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                                             |                  |
|---------------------------------------------|------------------|
| Accrued Bond Interest - Change in Liability | <u>(279,953)</u> |
|---------------------------------------------|------------------|

|                                                    |                       |
|----------------------------------------------------|-----------------------|
| Changes in Net Position of Governmental Activities | <u>\$ (1,843,423)</u> |
|----------------------------------------------------|-----------------------|

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|                                                        | Original<br>and Final<br>Budget | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------------------------|---------------------------------|-------------------|---------------------------------------------------------|
| <b>REVENUES</b>                                        |                                 |                   |                                                         |
| Total Revenues                                         | \$ -                            | \$ -              | \$ -                                                    |
| <b>EXPENDITURES</b>                                    |                                 |                   |                                                         |
| Accounting                                             | 18,000                          | 8,911             | 9,089                                                   |
| Insurance and Bonds                                    | 3,000                           | 2,498             | 502                                                     |
| Legal                                                  | 25,000                          | 33,654            | (8,654)                                                 |
| Contingency                                            | 4,000                           | -                 | 4,000                                                   |
| Total Expenditures                                     | 50,000                          | 45,063            | 4,937                                                   |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES</b> | (50,000)                        | (45,063)          | 4,937                                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                                 |                   |                                                         |
| Developer Advance                                      | 51,000                          | -                 | (51,000)                                                |
| Transfer from Other Funds                              | 5,979                           | 40,745            | 34,766                                                  |
| Total Other Financing Sources (Uses)                   | 56,979                          | 40,745            | (16,234)                                                |
| <b>NET CHANGE IN FUND BALANCE</b>                      | 6,979                           | (4,318)           | (11,297)                                                |
| Fund Balance - Beginning of Year                       | -                               | -                 | -                                                       |
| <b>FUND BALANCE - END OF YEAR</b>                      | \$ 6,979                        | \$ (4,318)        | \$ (11,297)                                             |

See accompanying Notes to Basic Financial Statements.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1    DEFINITION OF REPORTING ENTITY**

On February 17, 2021, the Town Council of Apple Valley (the Town) in Washington County, Utah (the County), acting in its capacity as the creating authority for the Jepson Canyon Public Infrastructure District No. 1 (the District), adopted a resolution creating the District. The Office of the Lieutenant Governor of the State of Utah issued a Certificate of Creation for the District, which was recorded in the real property records of the County on July 1, 2021.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and inter-governmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, and sales and use taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its budget for the year ended December 31, 2022.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Investments**

State statutes authorize the District to invest in obligations of the U.S. Treasury, certain qualifying commercial paper, repurchase agreements and bankers' acceptances, and negotiable or nonnegotiable deposits of qualified depositories and the Utah Public Treasurers' Investment Fund. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments for the District are reported at fair value determined on quoted market prices. Changes in the fair value of investments are recognized as a component of investment income.

Investments are carried at fair value.

**Property Taxes**

The County assesses, bills, collects, and distributes property taxes for all taxing jurisdictions within its boundaries, including cities, school districts, and special districts, in accordance with state law. Property taxes are collected on two types of assets: 1) personal property, which represents business assets other than real estate, and 2) real estate and improvements. Uncollected taxes, including delinquent amounts, are deemed to be substantially collectible or recoverable through a tax sale process that is conducted when property taxes have been delinquent for five years. Accordingly, no allowance for doubtful tax accounts is considered necessary. Property taxes become a lien against the property as of January 1 in the year in which taxes are due. Property valuation notices are mailed to property owners in July.

Property owners can appeal the assessed valuation no later than September 15. Tax notices are mailed to property owners on or before November 1. Payments are due November 30.

Property taxes due in November that are uncollected by the following March are reported as a property tax receivable on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are considered to be a deferred inflow of resources. The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a monthly basis. Tax collections are recorded as funds held in trust until disbursement. The County adheres to the following procedures set forth by the Utah State Tax Commission:

January 1: Lien Date – All property appraised based upon situs and status as of this date (real and personal).

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes (Continued)**

May 22: County Assessor completes assessment roll and delivers roll to County Auditor with required signed statement.

June 22: All taxing entities with fiscal years ending in June adopt tentative budgets and proposed tax rates and report them to the County Auditor.

July 22: County Auditor prepares and mails Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners. Notice is to include date, time, and place of public budget hearings.

August 1: Taxing entities proposing judgment levies and tax increases are to advertise the tax increase and/or judgment levy, hold public hearings, adopt by resolution final budgets and tax rates, and report this information to the County Auditor.

September 15: Applications for appeal of locally assessed real property are due to the County's Board of Equalization. (Hearings are held and decisions made through October 1.)

September 30: Utah State Tax Commission approves certified and proposed tax rates for each taxing entity.

October 1: Calendar-year taxing entities notify County governing body of intent to increase property taxes for the next calendar year. Calendar-year taxing entities must meet statutory noticing requirements which include a public meeting fourteen or more days before the November election, mailings to property owners seven or more days before the November election, and a twice-advertised public hearing.

November 1: County Auditor delivers the equalized assessment roll to the County Treasurer with affidavit and charges the County Treasurer to account for all taxes levied. County Treasurer mails tax notices.

December 1: Unpaid taxes on real property become delinquent and penalty is applied.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.



**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**Equity**

**Net Position**

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position

|                                   |                     |
|-----------------------------------|---------------------|
| Cash and Investments - Restricted | <u>\$ 2,911,943</u> |
|-----------------------------------|---------------------|

Cash and investments as of December 31, 2022 consist of the following:

|             |                     |
|-------------|---------------------|
| Investments | <u>\$ 2,911,943</u> |
|-------------|---------------------|

**Deposits with Financial Institutions**

The District's deposit and investment activities are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7). The State of Utah Money Management Council has the responsibility to advise the Utah State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state of Utah, and review the rules adopted under the authority of the Utah Money Management Act that relate to the deposit and investment of public funds. The Utah Money Management Act requires deposits be 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.

At December 31, 2022, the District had no cash deposits with a financial institution.

**Investments**

The State of Utah Money Management Council (the Council) has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds. The District follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. Statutes authorize the District to invest in: negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by United States government-sponsored enterprises (United States Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed-rate corporate obligations and variable-rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers' Investment Fund.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the state of Utah, and participants share proportionally in any realized gains or losses on investments.

As of December 31, 2022, the District had the following investments:

| <u>Investment</u>                                        | <u>Maturity</u>                       | <u>Amount</u>       |
|----------------------------------------------------------|---------------------------------------|---------------------|
| Goldman Sachs Financial Square Treasury Instruments Fund | Weighted Average<br>less than 60 days | <u>\$ 2,911,943</u> |

**Goldman Sachs Financial Square Treasury Instruments Fund**

The debt service and capital projects money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the Goldman Sachs Financial Square Treasury Instruments Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury Obligations, fully guaranteed as to principal and interest by the full faith and credit of the U.S. Government. Each share is equal in value to \$1.00. The Fund is rated AAmmf by Fitch, AAAM by Standard & Poor's, and Aaa-mf by Moody's.

**NOTE 4 CAPITAL ASSETS**

The capital assets constructed by the District will be dedicated to the City or other appropriate governmental entity or owners' association in a manner consistent with the applicable provisions of the Town Code. The costs of all capital assets transferred to other governmental entities will be removed from the District's financial records.

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

|                                        | Balance at<br>December 31,<br>2021 | Increases    | Decreases | Balance at<br>December 31,<br>2022 |
|----------------------------------------|------------------------------------|--------------|-----------|------------------------------------|
| <b>Governmental Activities:</b>        |                                    |              |           |                                    |
| Capital Assets, Not Being Depreciated: |                                    |              |           |                                    |
| Construction in Progress               | \$ -                               | \$ 2,706,546 | \$ -      | \$ 2,706,546                       |

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's outstanding long-term obligations for the year ended December 31, 2022:

|                           | Balance<br>December 31,<br>2021 | Additions           | Deletions   | Balance<br>December 31,<br>2022 | Due<br>Within<br>One Year |
|---------------------------|---------------------------------|---------------------|-------------|---------------------------------|---------------------------|
| General Obligation Bonds: |                                 |                     |             |                                 |                           |
| Series 2022A              | \$ -                            | \$ 6,555,000        | \$ -        | \$ 6,555,000                    | \$ -                      |
| Series 2022B              | -                               | 579,000             | -           | 579,000                         | -                         |
| Accrued Interest on:      |                                 |                     |             |                                 |                           |
| Series 2022B              | -                               | 43,641              | -           | 43,641                          | -                         |
| Total                     | <u>\$ -</u>                     | <u>\$ 7,177,641</u> | <u>\$ -</u> | <u>\$ 7,177,641</u>             | <u>\$ -</u>               |

The details of the District's long-term obligations are as follows:

**Limited Tax General Obligation Bonds, Series 2022A** (the Senior Bonds); **Subordinate Limited Tax General Obligation Bonds, Series 2022B** (the Subordinate Bonds and together with the Senior Bonds, the Bonds).

The District issued the Bonds on January 25, 2022, in the amounts of \$6,555,000 for the Senior Bonds and \$579,000 for the Subordinate Bonds.

Proceeds of the Bonds

Proceeds from the sale of the Senior Bonds were used for the purposes of: (a) paying Project Costs; (b) funding capitalized interest; (c) funding the Initial Deposit to the Surplus Fund; and (d) paying the costs of issuance of the Senior Bonds and the Subordinate Bonds. The Subordinate Bonds were issued for the purpose of paying Project Costs.

A portion of the proceeds of the Senior Bonds and Subordinate Bonds in the combined amount of \$1,287,100, were set aside into Restricted Accounts and will not be released until the Phase II Water Rights have been acquired. The Senior Bonds and Subordinate Bonds are subject to mandatory excess funds redemption on March 1, 2025, solely from and to the extent of any moneys held in the Restricted Accounts of the Senior Project Fund and Subordinate Project Fund on December 15, 2024.

Optional Redemption

The Senior Bonds and Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| <u>Date of Redemption</u>           | <u>Redemption<br/>Premium</u> |
|-------------------------------------|-------------------------------|
| March 1, 2027, to February 29, 2028 | 3.00%                         |
| March 1, 2028, to February 28, 2029 | 2.00%                         |
| March 1, 2029, to February 28, 2030 | 1.00%                         |
| March 1, 2030, and Thereafter       | 0.00%                         |

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)**

Senior Bonds Details

The Senior Bonds were issued as a single term bond with mandatory sinking fund redemptions due annually on March 1, beginning March 1, 2029, and maturing on March 1, 2051. The Senior Bonds bear interest at 5.125%, payable annually on March 1, commencing on March 1, 2022.

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on March 1, 2062. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on March 1, 2062, regardless of the principal and interest amounts remaining unpaid.

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the Senior Required Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture.

Acceleration of the Senior Bonds is not an available remedy for an Event of Default.

Senior Pledged Revenue

The Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue consisting of all Senior Property Tax Revenue and any other legally available moneys which the District determines to credit to the Senior Bonds Fund. Senior Property Tax Revenue is derived from imposition by the District of the Senior Required Mill Levy (including the allocation to the District of any uniform fees related to personal property), net of the collection costs of the County and any tax refunds or abatements authorized on behalf of the County.

Senior Required Mill Levy

The Senior Required Mill Levy means an ad valorem property tax on the taxable property in the District each year in an amount which, if imposed by the District for collection in the current calendar year, after the deduction of the Administrative Expenses and Trustee Fees, would generate Senior Property Tax revenues sufficient to pay the principal of and interest on the Senior Bonds as the same become due and payable but not in excess of 0.009 per dollar of taxable value.

Pursuant to 17D-4-301(8) of the Utah Code, in the event of any statutory change in the methodology of assessment or collection of property taxes in a manner that reduces the Senior Property Tax Revenues, the District may charge a rate sufficient to receive the amount of property taxes the District would have received before the statutory change in order to pay the debt service on Outstanding Bonds.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)**

Senior Surplus Fund

The Senior Bonds are also secured by the Surplus Fund which was partially funded in the amount of the initial deposit of \$606,000 from proceeds of the Senior Bonds. In addition to the initial deposit to the Surplus Fund, Senior Pledged Revenue that is not needed to pay debt service of the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$1,311,000. Any amounts on deposit in the Surplus Fund on the final maturity date of the Senior Bonds shall be applied to the payment of the Senior Bonds.

Subordinate Bonds Details

The Subordinate Bonds bear interest at 8.00%, payable annually on March 15, beginning on March 15, 2022, to the extent of available Subordinate Pledged Revenue. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Subordinate Bonds compounds annually on each March 15.

In the event that any amount of principal or interest on the Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue on March 15, 2062, the Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof will be deemed discharged.

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the Subordinate Required Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture.

Acceleration of the Subordinate Bonds is not an available remedy for an Event of Default.

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue which means all Subordinate Property Tax Revenues generated from the imposition of the Subordinate Required Mill Levy (including the allocation to the District of any uniform fees related to personal property and net of the collection costs of the County and any tax refunds or abatements authorized on behalf of the County); and any other legally available moneys which the District determines to credit to the Subordinate Bond Fund. Subordinate Property Tax Revenue is derived from imposition by the District of the Subordinate Required Mill Levy.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)**

Subordinate Required Mill Levy

The Subordinate Required Mill Levy is an ad valorem property tax on the taxable property in the District each year in an amount equal to (i) 0.009 per dollar of taxable value less the Senior Obligation Mill Levy, or (ii) such lesser amount which, if imposed by the District for collection in the current calendar year, would, after the deduction of the Administrative Expenses and Trustee Fees, generate Subordinate Property Tax Revenues which, will pay the Subordinate Bonds in full in the year such levy is collected.

Pursuant to 17D-4-301(8) of the Utah Code, in the event of any statutory change in the methodology of assessment or collection of property taxes in a manner that reduces the Subordinate Property Tax Revenues, the District may charge a rate sufficient to receive the amount of property taxes the District would have received before the statutory change in order to pay the debt service on Outstanding Bonds.

It is the intent that if the amount of the Senior Required Mill Levy equals or exceeds 0.009 per dollar of taxable value in any year, the Subordinate Required Mill Levy for that year shall be zero.

Senior Bonds Maturity

The District's Senior Bonds will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|---------------------------------|---------------------|---------------------|----------------------|
| 2023                            | \$ -                | \$ 335,944          | \$ 335,944           |
| 2024                            | -                   | 335,944             | 335,944              |
| 2025                            | -                   | 335,944             | 335,944              |
| 2026                            | -                   | 335,944             | 335,944              |
| 2027                            | -                   | 335,944             | 335,944              |
| 2028 - 2032                     | 295,000             | 1,661,269           | 1,956,269            |
| 2033 - 2037                     | 705,000             | 1,540,061           | 2,245,061            |
| 2038 - 2042                     | 1,160,000           | 1,315,587           | 2,475,587            |
| 2043 -2047                      | 1,780,000           | 958,633             | 2,738,633            |
| 2048 - 2051                     | 2,615,000           | 391,037             | 3,006,037            |
| Total                           | <u>\$ 6,555,000</u> | <u>\$ 7,546,307</u> | <u>\$ 14,101,307</u> |

Due to the cash flow nature of the Subordinate Bonds, principal and interest payments on the Subordinate Bonds cannot be predicted with certainty and are not presented in the above maturity schedule.

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 6 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022, for Debt Service.

The District has a deficit unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which are being conveyed to other governmental entities.

**NOTE 7 ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**NOTE 8 RELATED PARTY**

The property in the District is owned by Little Creek Land Development Company, LLC (Little Creek), a Utah limited liability company, which is an affiliate of Jepson Canyon Resort Development Co., Inc. (the “Developer”), a Utah corporation, which is undertaking development of the property within the District. All of the members of the Board of Directors are employees, owners, consultants or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

**NOTE 9 AGREEMENTS**

**Funding and Reimbursement Agreement**

On November 24, 2021, the District entered into a Funding and Reimbursement Agreement (Administration) with the Developer. The Developer is willing to advance funds to the District, from time to time through December 31, 2026, on the condition that the District agrees to repay such advances. Both parties agree that the maximum loan amount will not exceed the aggregate of \$200,000. The funds will be used for the District’s general operating and administrative costs. The repayment of the advances is subject to annual appropriations by the District. The simple interest rate shall be 4% from the date of each advance. The term of repayment shall not exceed beyond 30 years from the date of this agreement.

As of December 31, 2022, no amounts are outstanding under this agreement.



**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 9    AGREEMENTS (CONTINUED)**

**Infrastructure Acquisition and Reimbursement Agreement**

The District and the Developer have entered into an Infrastructure Acquisition and Reimbursement Agreement, dated November 24, 2021 (the "Infrastructure Acquisition and Reimbursement Agreement"). The Infrastructure Acquisition and Reimbursement Agreement sets forth the rights, obligations and procedures for the District to reimburse the Developer or directly pay the Developer's contractor(s) for certain District Eligible Costs.

As of December 31, 2022, no amounts are outstanding under this agreement.

**Town Interlocal Agreement**

The District has entered into an Interlocal Agreement with the Town, dated February 2, 2021, (the Town Interlocal Agreement), which, among other things, restates provisions of the Governing Document regarding the limitations on the District's exercise of powers. The Town Interlocal Agreement generally functions as a contractual obligation of the District to abide by the limitations imposed on it by the Town in the Governing Document. Some or all of the Public Improvements constructed within the District will be transferred to the Town or the Big Plains Water and Sewer District upon completion.

**NOTE 10    RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

## **SUPPLEMENTARY INFORMATION**

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|                                                         | Original<br>and Final<br>Budget | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------|---------------------------------|---------------------|---------------------------------------------------------|
| <b>REVENUES</b>                                         |                                 |                     |                                                         |
| Property Taxes                                          | \$ 5,979                        | \$ -                | \$ (5,979)                                              |
| Net Investment Income                                   | -                               | 12,862              | 12,862                                                  |
| Total Revenues                                          | 5,979                           | 12,862              | 6,883                                                   |
| <b>EXPENDITURES</b>                                     |                                 |                     |                                                         |
| Interest - Bonds                                        | 83,980                          | 33,594              | 50,386                                                  |
| Contingency                                             | 6,020                           | -                   | 6,020                                                   |
| Total Expenditures                                      | 90,000                          | 33,594              | 56,406                                                  |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (84,021)                        | (20,732)            | 63,289                                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                                 |                     |                                                         |
| Transfer from Other Funds                               | -                               | 1,613,831           | 1,613,831                                               |
| Transfer to Other Funds                                 | (5,979)                         | -                   | 5,979                                                   |
| Total Other Financing Sources (Uses)                    | (5,979)                         | 1,613,831           | 1,619,810                                               |
| <b>NET CHANGE IN FUND BALANCE</b>                       | (90,000)                        | 1,593,099           | 1,683,099                                               |
| Fund Balance - Beginning of Year                        | 1,464,383                       | -                   | (1,464,383)                                             |
| <b>FUND BALANCE - END OF YEAR</b>                       | <u>\$ 1,374,383</u>             | <u>\$ 1,593,099</u> | <u>\$ 218,716</u>                                       |

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|                                                         | Budget Amounts |              | Actual       | Variance with                          |
|---------------------------------------------------------|----------------|--------------|--------------|----------------------------------------|
|                                                         | Original       | Final        | Amounts      | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                         |                |              |              |                                        |
| Net Investment Income                                   | \$ -           | \$ 10,000    | \$ 12,257    | \$ 2,257                               |
| Total Revenues                                          | -              | 10,000       | 12,257       | 2,257                                  |
| <b>EXPENDITURES</b>                                     |                |              |              |                                        |
| Legal                                                   | -              | -            | 19,884       | (19,884)                               |
| Bond Issue Cost                                         | -              | 456,407      | 446,407      | 10,000                                 |
| Capital Outlay                                          | 2,000,000      | 3,773,762    | 2,706,546    | 1,067,216                              |
| Contribution expense for water shares                   | -              | -            | 1,000,000    | (1,000,000)                            |
| Total Expenditures                                      | 2,000,000      | 4,230,169    | 4,172,837    | 57,332                                 |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (2,000,000)    | (4,220,169)  | (4,160,580)  | 59,589                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                |              |              |                                        |
| Developer advance                                       | 2,000,000      | -            | -            | -                                      |
| Bond Issuance - Series 2022A                            | -              | 6,555,000    | 6,555,000    | -                                      |
| Bond Issuance - Series 2022B                            | -              | 579,000      | 579,000      | -                                      |
| Repay Developer Advance                                 | (2,000,000)    | -            | -            | -                                      |
| Transfer to Other Funds                                 | -              | (1,613,831)  | (1,654,576)  | (40,745)                               |
| Total Other Financing Sources (Uses)                    | -              | 5,520,169    | 5,479,424    | (40,745)                               |
| <b>NET CHANGE IN FUND BALANCE</b>                       | (2,000,000)    | 1,300,000    | 1,318,844    | 18,844                                 |
| Fund Balance - Beginning of Year                        | 2,000,000      | -            | -            | -                                      |
| <b>FUND BALANCE - END OF YEAR</b>                       | \$ -           | \$ 1,300,000 | \$ 1,318,844 | \$ 18,844                              |

## **OTHER INFORMATION**

**JEPSON CANYON PUBLIC INFRASTRUCTURE DISTRICT NO. 1**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**DECEMBER 31, 2022**

| \$6,555,000<br>Limited Tax General Obligation Bonds,<br>Series 2022A<br>Dated January 25, 2022<br>Interest Rate - 5.125%<br>Annual Payments Due March 1 |                     |                     |                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|--------------------------------|
| <u>Year Ending December 31.</u>                                                                                                                         | <u>Principal</u>    | <u>Interest</u>     | <u>Annual Debt<br/>Service</u> |
| 2023                                                                                                                                                    | \$ -                | \$ 335,944          | \$ 335,944                     |
| 2024                                                                                                                                                    | -                   | 335,944             | 335,944                        |
| 2025                                                                                                                                                    | -                   | 335,944             | 335,944                        |
| 2026                                                                                                                                                    | -                   | 335,944             | 335,944                        |
| 2027                                                                                                                                                    | -                   | 335,944             | 335,944                        |
| 2028                                                                                                                                                    | -                   | 335,944             | 335,944                        |
| 2029                                                                                                                                                    | 45,000              | 335,944             | 380,944                        |
| 2030                                                                                                                                                    | 70,000              | 333,637             | 403,637                        |
| 2031                                                                                                                                                    | 85,000              | 330,050             | 415,050                        |
| 2032                                                                                                                                                    | 95,000              | 325,694             | 420,694                        |
| 2033                                                                                                                                                    | 110,000             | 320,825             | 430,825                        |
| 2034                                                                                                                                                    | 125,000             | 315,187             | 440,187                        |
| 2035                                                                                                                                                    | 140,000             | 308,781             | 448,781                        |
| 2036                                                                                                                                                    | 155,000             | 301,606             | 456,606                        |
| 2037                                                                                                                                                    | 175,000             | 293,662             | 468,662                        |
| 2038                                                                                                                                                    | 190,000             | 284,694             | 474,694                        |
| 2039                                                                                                                                                    | 210,000             | 274,956             | 484,956                        |
| 2040                                                                                                                                                    | 230,000             | 264,194             | 494,194                        |
| 2041                                                                                                                                                    | 255,000             | 252,406             | 507,406                        |
| 2042                                                                                                                                                    | 275,000             | 239,337             | 514,337                        |
| 2043                                                                                                                                                    | 300,000             | 225,244             | 525,244                        |
| 2044                                                                                                                                                    | 325,000             | 209,869             | 534,869                        |
| 2045                                                                                                                                                    | 355,000             | 193,213             | 548,213                        |
| 2046                                                                                                                                                    | 385,000             | 175,019             | 560,019                        |
| 2047                                                                                                                                                    | 415,000             | 155,288             | 570,288                        |
| 2048                                                                                                                                                    | 450,000             | 134,019             | 584,019                        |
| 2049                                                                                                                                                    | 480,000             | 110,956             | 590,956                        |
| 2050                                                                                                                                                    | 520,000             | 86,356              | 606,356                        |
| 2051                                                                                                                                                    | 1,165,000           | 59,706              | 1,224,706                      |
| Total                                                                                                                                                   | <u>\$ 6,555,000</u> | <u>\$ 7,546,307</u> | <u>\$ 14,101,307</u>           |

Due to the cash flow nature of the Subordinate Bonds, principal and interest payments on the Subordinate Bonds cannot be predicted with certainty and are not presented in the above maturity schedule.

## **COMPLIANCE REPORTING**

*This page intentionally blank*





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

Members of the Board  
Jepson Canyon PID

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Jepson Canyon PID, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Jepson Canyon PID's basic financial statements and have issued our report thereon dated April 12, 2024.

**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) as a basis for designing 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 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. We did identify certain deficiencies in internal control, described in the accompanying letter of findings and recommendations that we consider to be significant deficiencies.

2022-001 Documentation and Controls

## Compliance and Other Matters

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

## Purpose of this Report

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

*HintonBurdick, PLLC*

HintonBurdick, PLLC

St. George, Utah

April 12, 2024





**Independent Auditor's Report on Compliance and  
Report on Internal control over Compliance  
as Required by the *State Compliance Audit Guide***

Members of the Board  
Jepson Canyon PID

**Report on Compliance with General State Compliance Requirements**

We have audited Jepson Canyon PID 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, 2022.

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

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Other Related Restricted Revenue
- Fraud Risk Assessment
- Governmental Fees
- Special and Local District Board Members
- Public Treasurer's Bond
- Open and Public Meetings Act

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on General State Compliance Requirements***

In our opinion, Jepson Canyon PID complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2022.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which are described in the accompanying schedule of findings and recommendations as item 2022-002. Our opinion on compliance is not modified with respect to these matters. The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and recommendations. The District's responses was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*HintonBurdick, PLLC*

HintonBurdick, PLLC

St. George, Utah

April 12, 2024





**Jepson Canyon PID**  
**Schedule of Findings and Recommendations**  
**For the Year Ended December 31, 2022**

Jepson Canyon PID  
Members of the Board

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Jepson Canyon PID for the year ended December 31, 2022, we noted areas needing corrective action for the District to be in compliance with laws and regulations. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

2022-001      Documentations and Controls

**Criteria:** The District's organizational and operational agreements and contracts establish a specific process for reviewing, establishing, and accepting reimbursement expenditures for the District.

**Condition:** There was no documentation to support the District's adherence to its officially established procedures.

**Cause:** The District had not considered the need to document its compliance with its officially and contractually established procedures.

**Effect:** The District could not demonstrate compliance with its required procedures for reviewing, establishing, and accepting District reimbursement expenditures. This increases the risk transactions could be processed without proper approval which increases the risk of error or fraud.

**Recommendation:** We recommend the District review the official and contractual requirements related to its reimbursement of expenditures, and establish processes to monitor and document its compliance with those required procedures.

## COMPLIANCE AND OTHER MATTERS:

### Compliance:

2022-002      Utah Open and Public Meetings Act

**Criteria:** Utah Code 52-4-202 states that minutes from public meetings should be posted to the Utah Public Notice Website with three days.

**Condition:** The minutes from the District's board meetings were not always posted within the three days as required by Utah Code.

**Cause:** Internal controls needed to ensure the required postings were made in the required time frames were not implemented.

**Effect:** The District was not in compliance with Utah Code 52-4-202

**Recommendation:** We recommend the District review its internal controls and procedures, updating as need, to ensure information is posted within the required time frame.

### Other Matters:

None noted

Please respond to the above findings and recommendations in letter form for submission to the state auditor's office as required by state law.

The District's written responses to the findings identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This letter is intended solely for the use of management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

*HintonBurdick, PLLC*

HintonBurdick, PLLC

April 12, 2024



## Jepson Canyon Public Infrastructure District

April 18, 2024

To Whom It May Concern,

The following are the Jepson Canyon Public Infrastructure District Management Responses to the Findings for the Fiscal Year 2022 Audit:

### 2022 – 001     Documentation and Controls

Criteria: The District's organizational and operational agreements and contracts establish a specific process for reviewing, establishing, and accepting reimbursement expenditures for the District.

Condition: There was no documentation to support the District's adherence to its officially established procedures.

Cause: The District had not considered the need to document its compliance with its officially and contractually established procedures.

Effect: The District could not demonstrate compliance with its required procedures for reviewing, establishing, and accepting District reimbursement expenditures. This increases the risk transactions could be processed without proper approval which increases the risk of error or fraud.

Recommendation: We recommend the District review the official and contractual requirements related to its reimbursement of expenditures, and establish processes to monitor and document its compliance with those required procedures.

**Response: *The District has implemented a review and approval process for accepting reimbursement expenditures at the Board meetings.***

### 2022-002     Utah Open and Public Meetings Act

Criteria: Utah Code requires that minutes from public meetings should be posted to the Utah Public Notice Website within three days.

Condition: The minutes from the District's board meetings were not always posted within the three days as required by the Utah Code.

Cause: Internal controls necessary to ensure required notices are posted in the required time frame were not implemented.

Effect: The District was not in compliance with Utah Code 52-4-202.

Recommendation: We recommend the District review its internal controls and procedures, updating as needed, to ensure information is posted within the required time frame.

**Response: The District has addressed this issue and has a procedure in place for posting on the Utah Public Notice Website within the required time frame.**

JEPSON CANYON PUBLIC  
INFRASTRUCTURE DISTRICT, in the  
Town of Apple Valley, Washington County,  
Utah, as District



By: \_\_\_\_\_  
Authorized Signatory