

**NORTH FORK SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF UTAH COUNTY)**

**BASIC FINANCIAL STATEMENTS and Reports
in Accordance with Government Auditing Standards
and the State Compliance Audit Guide**

Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Fork Special Service District

Report on the Basic Financial Statements

Opinion

We have audited the statements of net position of North Fork Special Service District (the District) as of December 31, 2024 and 2023 and the statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Fork Special Service District as of December 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 North Fork Special Service District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, in 2024, the District adopted Government Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, the schedules of District contributions – Utah Retirement Systems, and the related notes to the required supplementary information be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the 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 June 24, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
June 24, 2025

NORTH FORK SPECIAL SERVICE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of North Fork Special Service District (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended December 31, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,842,778 (net position). Of this amount, \$3,686,604 (unrestricted net position) may be used to meet the District’s ongoing obligations to provide services. The District received \$4,897,225 in new grant money during the year, mostly for capital projects.

Overview of the Financial Statements

The financial statements consist of three separate statements, which are similar to a private-sector business. The Statements of Net Position presents information on the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

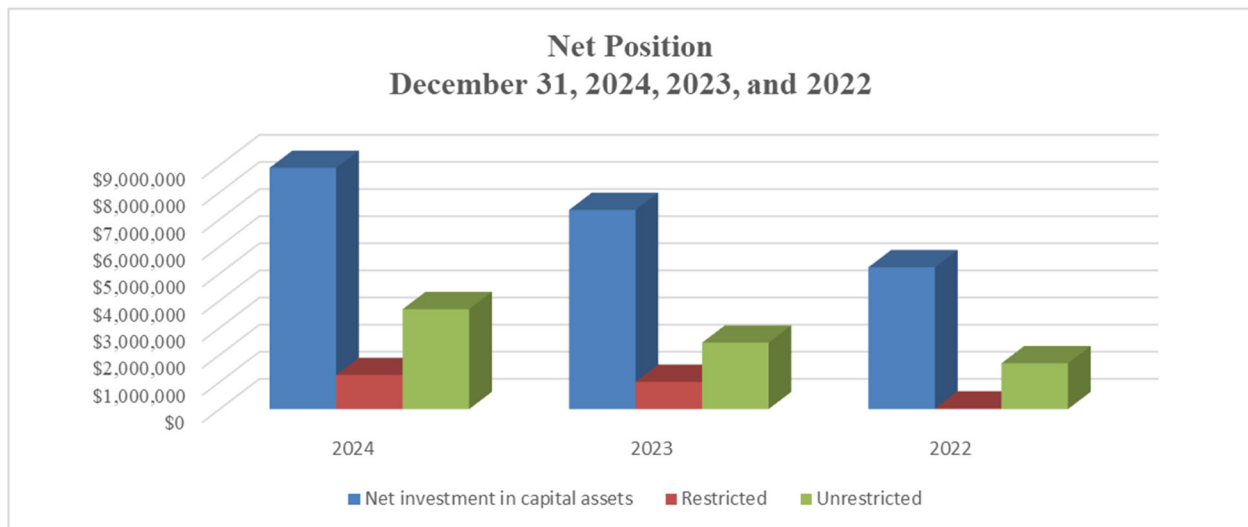
The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees charged).

The Statements of Cash Flows presents the activities of the District on a cash-received and cash-paid basis. These statements shows how cash was spent and reconcile the change in the cash accounts for the District during the most recent two fiscal years.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District’s financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,842,778 at the close of the most recent fiscal year.

NORTH FORK SPECIAL SERVICE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS



The following tables summarize information presented in the financial statements.

NORTH FORK SPECIAL SERVICE DISTRICT December 31, 2024, 2023, and 2022

	2024	2023	2022
Current assets	\$ 14,172,165	\$ 9,841,239	\$ 9,044,201
Noncurrent assets	11,616,763	10,131,679	8,976,488
Total assets	25,788,928	19,972,918	18,020,689
Deferred outflows of resources	250,830	163,177	105,046
Current liabilities	9,923,284	6,690,468	6,203,198
Long-term liabilities	2,266,201	2,643,798	3,003,207
Total liabilities	12,189,485	9,334,266	9,206,405
Deferred inflows of resources	7,495	4,873	224,057
Net investment in capital assets	8,898,257	7,343,884	5,640,072
Restricted	1,257,917	1,003,006	643,685
Unrestricted	3,686,604	2,450,066	2,411,516
Net position	\$ 13,842,778	\$ 10,796,956	\$ 8,695,273

At December 31, 2024, the largest portion of the District’s net position (64.3%) reflects its net investment in capital assets. The District uses these capital assets to provide services to residents and visitors of the District; consequently, these assets are not available for future spending. Further, though the presentation shows capital assets net of related debt, the repayment of this debt does not come from the capital assets themselves, but from other resources. The balance of unrestricted net position (26.6%) may be used to meet the District’s ongoing obligations.

NORTH FORK SPECIAL SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH FORK SPECIAL SERVICE DISTRICT Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Operating revenues	\$ 4,087,035	\$ 3,207,872	\$ 2,967,666
Operating expenses	3,539,116	2,707,677	2,421,584
Operating income	547,919	500,195	546,082
Nonoperating revenues (expense)	2,497,903	1,611,343	435,161
Change in net position	3,045,822	2,111,538	981,243
Net postion - beginning, restated	10,796,956	8,685,418	7,714,030
Net postion - ending	<u>\$ 13,842,778</u>	<u>\$ 10,796,956</u>	<u>\$ 8,695,273</u>

The District implemented GASB Statement No. 101, *Compensated Absences*, during the year ended December 31, 2024. Calendar year 2022 has not been restated to reflect this change. See notes 1 and 10 in the basic financial statements for additional information.

In comparing 2024 with 2023, the following items should be noted:

Total current assets increased \$4,330,926 million (44.0%) due to an increase in cash related to grants and accounts receivable. Current liabilities increased by \$3,189,756 (47.7%) as a result of the receipt of grants funds that are classified as unearned income until the funds are spent.

Operating revenues of the District totaled \$4,087,035 during 2024, an increase of \$879,163 (27.4%) as compared to operating revenues of the District of \$3,207,872 during 2023. Most of this increase was the result of an increase of \$811,292 in wildland income.

Operating expenses of the District totaled \$3,539,116 during 2024, an increase of \$831,439 (30.7%) over 2023. This increase was primarily due to an increase in salaries and benefits of \$583,914 due mostly to hiring additional staff.

Nonoperating revenues decreased by \$3,623,162 due to a decrease in grant revenue of \$3,661,636 and offset by an increase in interest income of \$34,885. The decrease in grant income was offset by a decrease in nonoperating expenses on grant contract payments related to fire suppression upgrades of \$4,500,000. The grant award was essentially a pass-through grant where most of the revenue and expense happened in 2023.

NORTH FORK SPECIAL SERVICE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

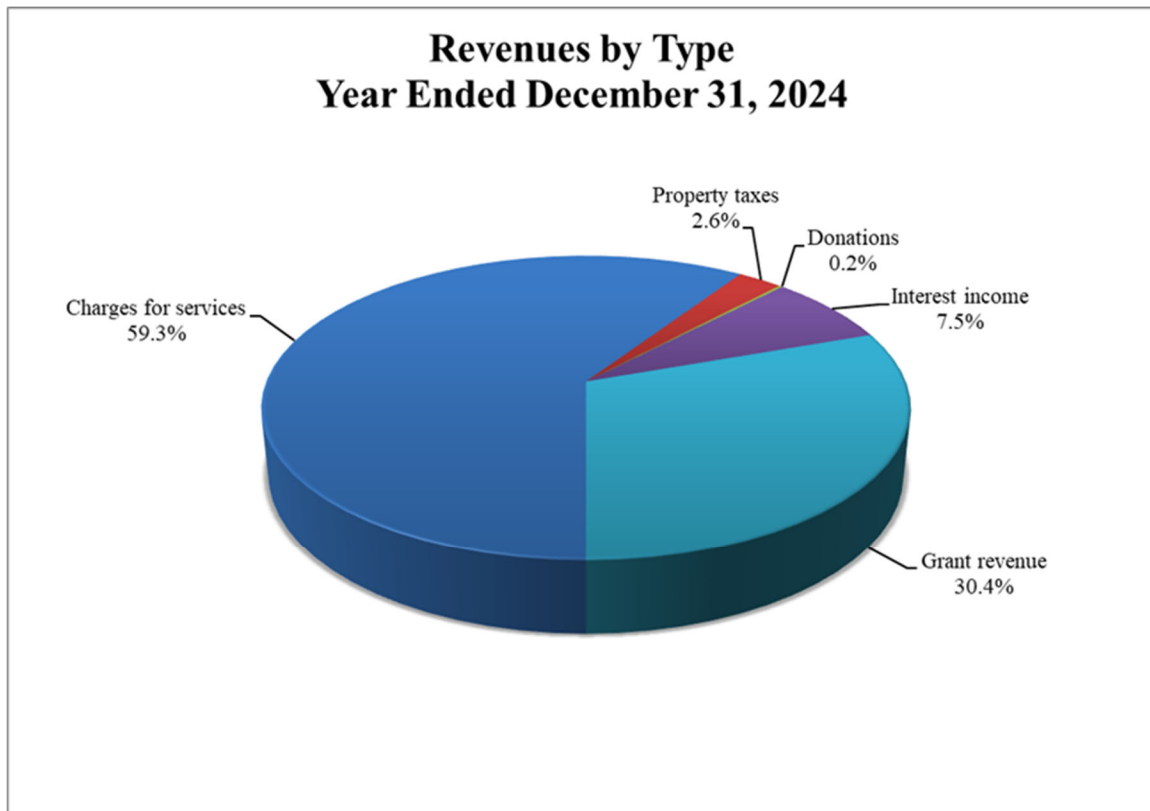
In comparing 2023 with 2022, the following items should be noted:

Total current assets increased \$797,038 (8.8%) due to an increase in cash related to grants and accounts receivable. Current liabilities increased by \$487,270 (7.9%) as a result of the receipt of grants funds that are classified as unearned income until the funds are spent.

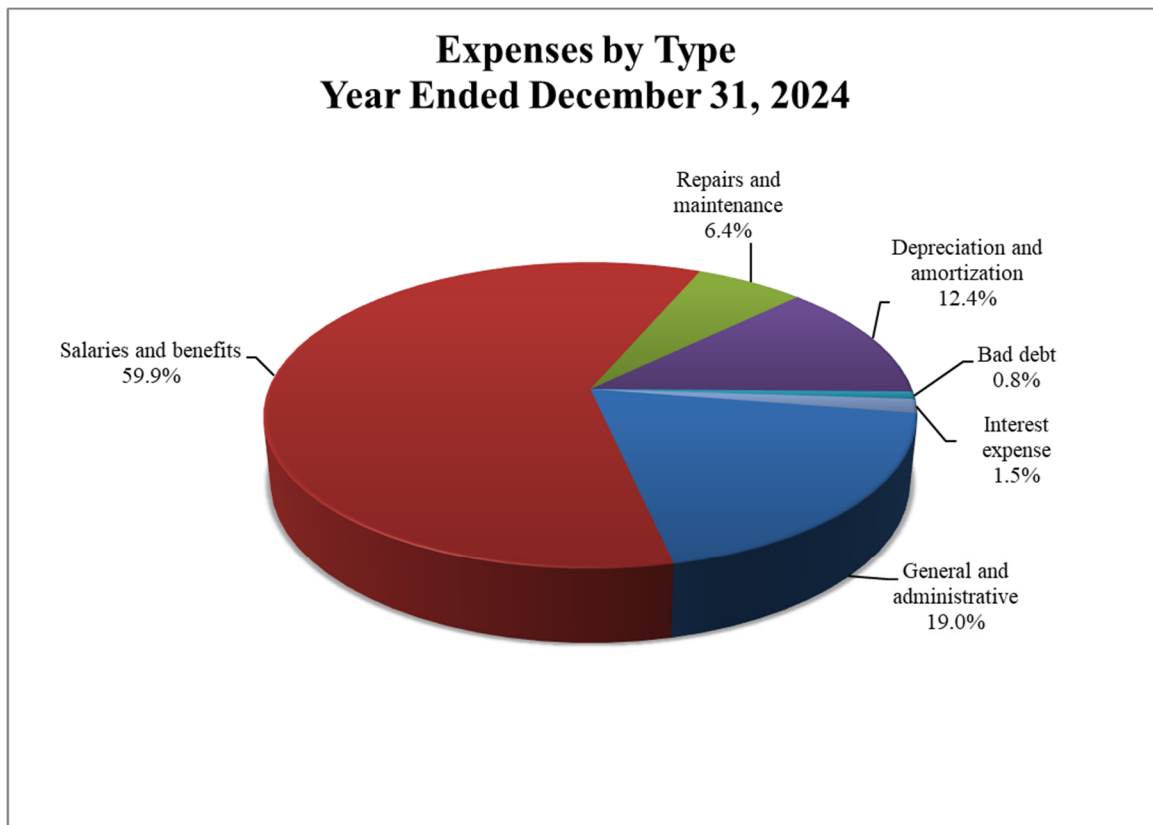
Operating revenues of the District totaled \$3,207,872 during 2023, an increase of \$240,206 (8.1%) as compared to operating revenues of the District of \$2,967,666 during 2022. A large portion of this increase was the result of an increase of \$99,064 in fire fees and \$104,149 in wildland income.

Operating expenses of the District totaled \$2,707,677 during 2023, an increase of \$286,093 (11.8%) over 2022. This increase was primarily due to an increase in salaries and benefits of \$371,918 due mostly to hiring additional staff.

Nonoperating revenues increased by \$4,827,468 due to an increase in grant revenue of \$4,474,392 and an increase in interest income of \$361,196. These increases were offset by nonoperating expenses on grant contract payments related to fire suppression upgrades on the mountain. These expenses were not capitalized due to not having ownership of the upgrades, however, the District has access to use the system as needed. The grant award was essentially a pass-through grant.



NORTH FORK SPECIAL SERVICE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS



Capital Assets and Debt Administration

The District’s investment in capital assets as of December 31, 2024 amounts to \$11,556,524 (net of accumulated depreciation). Capital assets consisted of land, water shares, building and improvements, equipment, water system, and wastewater system, and right-to-use assets (see Note 3). The District issued \$3,810,000 and \$2,800,000 of revenue bonds to finance the construction of water tanks, wells, and a sewer treatment plant. At the end of 2024, the District had \$88,399 in unspent bond proceeds. The District’s total capital-related debt at December 31, 2024 was \$2,783,207 (see Note 4, Note 5, and Note 6).

Economic Factors and Next Year’s Budget and Rates

The District prepared its 2025 budget anticipating a small increase in revenues and expenses. The District received grants to help build the water sources, upgrade the sewer processing plant, and to build a new fire station. A portion of the new fire station will be paid with a new loan. Most of the grant and loan money will be spent over the next couple of years.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances. Requests for additional financial information should be addressed to the Secretary of the Board of North Fork Special Service District at RR3 Box B-1, Provo Canyon, Utah 84604.

NORTH FORK SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Statements of Net Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and investments	\$ 3,015,054	\$ 1,840,911
Restricted cash and investments	10,397,371	7,282,064
Accounts receivable, net	684,729	679,665
Property tax receivable	67,843	38,599
Prepaid expenses	7,168	-
Total current assets	14,172,165	9,841,239
Noncurrent Assets		
Land and water shares	533,254	533,254
Construction in progress	2,226,408	406,835
Depreciable, net of accumulated depreciation	8,796,862	9,127,004
Net pension asset	60,239	64,586
Total noncurrent assets	11,616,763	10,131,679
Total assets	25,788,928	19,972,918
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	250,830	163,177
LIABILITIES		
Current Liabilities		
Accrued interest payable	2,676	4,592
Accounts payable	448,209	103,733
Accrued expenses	156,202	126,270
Unearned revenue	9,111,294	6,255,733
Current portion of notes payable	57,312	54,818
Current portion of leases payable	13,591	14,322
Current portion of bonds payable	134,000	131,000
Total current liabilities	9,923,284	6,690,468
Noncurrent Liabilities		
Accrued expenses, net of current portion	12,500	-
Net pension liability	72,624	32,818
Notes payable	84,752	142,064
Leases payable, net of current portion	-	13,591
Bonds payable, net of current portion	2,096,325	2,455,325
Total noncurrent liabilities	2,266,201	2,643,798
Total liabilities	12,189,485	9,334,266
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	7,495	4,873
NET POSITION		
Net investment in capital assets	8,898,257	7,343,884
Restricted	1,257,917	1,003,006
Unrestricted	3,686,604	2,450,066
Total net position	\$ 13,842,778	\$ 10,796,956

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

NORTH FORK SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Charges for services	\$ 4,085,762	\$ 3,203,923
Miscellaneous revenue	1,273	3,949
Total operating revenues	4,087,035	3,207,872
Operating Expenses		
Salaries and benefits	2,152,441	1,568,527
General and administrative	683,681	588,903
Repairs and maintenance	227,944	165,435
Depreciation and amortization	446,725	384,812
Bad debt	28,325	-
Total operating expenses	3,539,116	2,707,677
Operating Income	547,919	500,195
Nonoperating Revenue (Expenses)		
Property taxes	180,645	171,865
Donations	12,823	18,014
Interest income	512,685	477,800
Grant revenue	2,094,227	5,755,863
Grant contract payments	(250,000)	(4,750,000)
Interest expense	(52,477)	(62,199)
Total nonoperating revenue (expenses)	2,497,903	1,611,343
Change in Net Position	3,045,822	2,111,538
Net Position - Beginning, as previously stated	10,810,317	8,695,273
Restatement of compensated absences	(13,361)	(9,855)
Net Position - Beginning, restated	10,796,956	8,685,418
Net Position - Ending	\$ 13,842,778	\$ 10,796,956

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

NORTH FORK SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received from customers	\$ 4,053,646	\$ 3,136,810
Cash paid to suppliers	(574,317)	(737,824)
Cash paid to employees and for employee benefits	(2,150,887)	(1,617,842)
Net cash provided by operating activities	1,328,442	781,144
Cash Flows from Noncapital Financing Activities		
Collection of property taxes	151,401	177,306
Grants received	4,949,788	6,177,975
Donations	12,823	18,014
Net cash provided by noncapital financing activities	5,114,012	6,373,295
Cash Flows from Capital and Related Financing Activities		
Interest paid	(54,392)	(62,199)
Purchases of capital assets	(2,186,157)	(6,465,421)
Principal payments on bonds and notes payable	(425,140)	(373,202)
Net cash used by capital and related financing activities	(2,665,689)	(6,900,822)
Cash Flows from Investing Activities		
Interest received	512,685	477,800
Net cash provided by investing activities	512,685	477,800
Net Change in Cash and Cash Equivalents	4,289,450	731,417
Cash and Cash Equivalents - Beginning	9,122,975	8,391,558
Cash and Cash Equivalents - Ending	<u>\$ 13,412,425</u>	<u>\$ 9,122,975</u>

Supplemental Data

A reconciliation of operating income to cash flows provided by operating activities follows:

Operating income	\$ 547,919	\$ 500,195
Depreciation and amortization	446,725	384,812
Bad debts	28,325	-

Changes in operating assets and liabilities and deferred outflows/inflows of resources:

Accounts receivable	(33,389)	(71,062)
Prepaid expenses	(7,168)	-
Accounts payable	344,476	16,514
Accrued expenses	42,432	19,764
Net pension asset, deferred outflows of resources, liabilities, and deferred inflows of resources	(40,878)	(69,079)
Net cash provided by operating activities	<u>\$ 1,328,442</u>	<u>\$ 781,144</u>

Cash as classified on the statements of net position:

Cash and investments	\$ 3,015,054	\$ 1,840,911
Restricted cash and investments	10,397,371	7,282,064
Total cash and investments	<u>\$ 13,412,425</u>	<u>\$ 9,122,975</u>

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

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

The accounting policies of North Fork Special Service District (the District) conform to accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the more significant policies:

Reporting Entity – North Fork Special Service District is a local governmental unit organized as a special service district. The District was organized to provide fire, ambulance, water, wastewater treatment, and garbage services to the residents and visitors of the North Fork of Provo Canyon, Utah. The District is a component unit of Utah County.

The District accounts for its operations as an enterprise (proprietary-type) fund; activities are financed and operated in a manner similar to private business enterprises where the intent of the Board is that the costs (expenses, including depreciation) of providing goods or services to members and the general public on a continuing basis, be financed or recovered primarily through user charges.

Basis of Accounting – The District records revenues and expenses using the accrual basis of accounting. The District operates as an enterprise fund, which accounts for activities in a manner similar to private business where the Board has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability. The District applies all applicable private-sector guidance in accounting and reporting for its operations to the extent that those standards do not conflict with or contradict guidance of governmental standards.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as property taxes from the District, result from non-exchange transactions or ancillary activities.

Allowance for Doubtful Accounts – No allowance for doubtful accounts has been established at December 31, 2024 and 2023 as management has determined amounts to be fully collectible.

Cash and Cash Equivalents – The District considers cash and cash equivalents to be short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurer's Investment Fund.

Capital Assets – Capital assets are recorded at cost and are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Upon the sale or retirement of capital assets, the related asset's cost and accumulated depreciation are removed from the applicable accounts and a gain or loss on disposal is recorded. Capital assets, except land, water shares, and construction in progress are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7 to 40 years
Equipment	3 to 12 years
Water system	5 to 50 years
Wastewater system	5 to 50 years

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from the URS's fiduciary

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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

Deferred Outflows of Resources – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Leases Payable – The District is a lessee for a noncancelable lease for equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset).

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (a) the discount rate it uses to discount the expected lease payments to present value, (b) lease term, and (c) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position. See Note 6.

Compensated Absences – Employees are granted vacation and sick leave in amounts varying with tenure. In the event of termination or death, an employee or beneficiary is reimbursed for accumulated vacation days. Accrued compensated absences totaled \$78,421 and \$69,314 at December 31, 2024 and 2023, respectively. The current portion of compensated absences is grouped with accrued expenses on the Statements of Net Position.

During the year ended December 31, 2024, the District adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The new standard requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

services already rendered, accumulates, and is more likely than not to be used for time off or paid out upon termination or retirement. The District restated the beginning net position due to implementing this standard, see Note 10.

Note 2 – Deposits and Investments

The District complies with the State Money Management Act (Utah Code Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2024, The District's carrying amount of bank deposits is \$1,708,088. The bank balance is \$2,401,773, of which \$250,000 is covered by federal depository insurance. No deposits are collateralized nor are they required to be by state statute.

Investments – At December 31, 2024, the District had \$11,704,337 invested in the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to the prevailing market interest rates. The PTIF is not rated. The PTIF has no debt securities with more than 5% of its total investment in a single issuer. The reported value of the pool is the same as the fair value of the pool shares and is not required to be reported in the fair value hierarchy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5.0% of the District's total portfolio with a single issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules.

Total deposits and investments as described above at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Carrying amount of cash	\$ 1,708,088	\$ 643,722
Carrying amount of investments	<u>11,704,337</u>	<u>8,479,253</u>
Total cash and investments	<u><u>\$ 13,412,425</u></u>	<u><u>\$ 9,122,975</u></u>

A recap of the deposits and investments as shown on the statement of net position at December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Cash and investments	\$ 3,015,054	\$ 1,840,911
Restricted cash and investments	<u>10,397,371</u>	<u>7,282,064</u>
Total cash and investments	<u><u>\$ 13,412,425</u></u>	<u><u>\$ 9,122,975</u></u>

NORTH FORK SPECIAL SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

Note 3 – Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 95,583	\$ -	\$ -	\$ 95,583
Water shares	437,671	-	-	437,671
Construction in progress	406,835	1,819,573	-	2,226,408
Total capital assets not being depreciated	940,089	1,819,573	-	2,759,662
Capital assets being depreciated:				
Buildings and improvements	682,363	-	-	682,363
Equipment	2,810,189	88,162	-	2,898,351
Right-to-use assets	43,006	-	-	43,006
Water system	4,778,933	-	-	4,778,933
Wastewater system	5,508,177	28,421	-	5,536,598
	13,822,668	116,583	-	13,939,251
Accumulated depreciation	(4,695,664)	(446,725)	-	(5,142,389)
Total capital assets being depreciated, net	9,127,004	(330,142)	-	8,796,862
Total capital assets, net	<u>\$ 10,067,093</u>	<u>\$ 1,489,431</u>	<u>\$ -</u>	<u>\$ 11,556,524</u>

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 95,583	\$ -	\$ -	\$ 95,583
Water shares	437,671	-	-	437,671
Construction in progress	<u>176,291</u>	<u>827,888</u>	<u>(597,344)</u>	<u>406,835</u>
Total capital assets not being depreciated	709,545	827,888	(597,344)	940,089
Capital assets being depreciated:				
Buildings and improvements	682,363	-	-	682,363
Equipment	1,981,950	846,577	(18,338)	2,810,189
Right-to-use assets	-	43,006	-	43,006
Water system	4,474,267	304,666	-	4,778,933
Wastewater system	<u>5,217,549</u>	<u>290,628</u>	<u>-</u>	<u>5,508,177</u>
	12,356,129	1,484,877	(18,338)	13,822,668
Accumulated depreciation	<u>(4,329,190)</u>	<u>(384,812)</u>	<u>18,338</u>	<u>(4,695,664)</u>
Total capital assets being depreciated, net	<u>8,026,939</u>	<u>1,100,065</u>	<u>-</u>	<u>9,127,004</u>
Total capital assets, net	<u>\$ 8,736,484</u>	<u>\$ 1,927,953</u>	<u>\$ (597,344)</u>	<u>\$ 10,067,093</u>

In 2023, the District spent \$1,064,852 on drilling a well to supply water to the District's water system. The well produced no water, therefore, the amount spent on the project was expensed instead of capitalized. The loss on the well project is shown on the statements of changes in net position.

Note 4 – Noncurrent Liabilities

A schedule of noncurrent liabilities for the year ended December 31, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Noncurrent liabilities:					
Compensated absences	\$ 69,314	\$ 67,770	\$ (58,663)	\$ 78,421	\$ 65,921
Net pension liability	32,818	80,683	(40,877)	72,624	-
Notes payable	196,882	-	(54,818)	142,064	57,312
Leases payable	27,913	-	(14,322)	13,591	13,591
Bonds payable	<u>2,586,325</u>	<u>-</u>	<u>(356,000)</u>	<u>2,230,325</u>	<u>134,000</u>
Total noncurrent liabilities	<u>\$ 2,913,252</u>	<u>\$ 148,453</u>	<u>\$ (524,680)</u>	<u>\$ 2,537,025</u>	<u>\$ 270,824</u>

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

A schedule of noncurrent liabilities for the year ended December 31, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Noncurrent liabilities:					
Compensated absences	\$ 47,242	\$ 48,701	\$ (26,629)	\$ 69,314	\$ 58,663
Net pension liability	-	32,818	-	32,818	-
Notes payable	249,998	-	(53,116)	196,882	54,818
Leases payable	-	43,006	(15,093)	27,913	14,322
Bonds payable	<u>2,934,325</u>	<u>-</u>	<u>(348,000)</u>	<u>2,586,325</u>	<u>131,000</u>
Total noncurrent liabilities	<u>\$ 3,231,565</u>	<u>\$ 124,525</u>	<u>\$ (442,838)</u>	<u>\$ 2,913,252</u>	<u>\$ 258,803</u>

Bonds Payable – During 2006, the District issued \$3,810,000 of bonds payable and pledged wastewater revenues to service the future debt. The bonds carry an interest rate of 3.0%.

During 2016, the District issued \$2,800,000 of bonds payable and pledged water revenues to service future debt. The bonds carry an annual interest rate ranging from 3.7% to 5.5% paid semi-annually. The debt service requirements on the bonds payable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 134,000	\$ 25,845	\$ 416,848
2026	368,000	34,168	415,411
2027	311,325	24,447	348,416
2028	144,000	17,485	172,918
2029	147,000	15,594	162,594
2030-2034	787,000	48,042	835,042
2035-2036	<u>339,000</u>	<u>4,427</u>	<u>343,427</u>
Total	<u>\$ 2,230,325</u>	<u>\$ 170,007</u>	<u>\$ 2,694,654</u>

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Note 5 – Notes Payable

The District has a note payable for a building with an interest rate of 2.63% which decreases to 1.93% in the year 2025. The District also has a note payable for equipment with an interest rate of 3.18%. Future minimum payments under notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 57,312	\$ 3,171	\$ 60,482
2026	26,071	1,517	27,588
2027	26,577	1,011	27,588
2028	27,092	496	27,588
2029	5,012	51	5,063
Total	<u>\$ 142,064</u>	<u>\$ 6,246</u>	<u>\$ 148,309</u>

Note 6 – Leases Payable

The District has entered into lease agreements as lessee for the acquisition of vehicles. As of December 31, 2024, the value of the lease liability was \$13,591. The District is required to make annual principal and interest payments of \$15,093. The leases have an interest rate of 5.3%. The value of the right-to-use assets as of the end of the current fiscal year was \$43,006 and had accumulated amortization of \$19,114

The following is a schedule of future debt service requirements on the leases:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	<u>\$ 13,591</u>	<u>\$ 1,502</u>	<u>\$ 15,093</u>

Note 7 – Retirement

Plans

Description of Plans – Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Firefighters Retirement System (Tier 1 Firefighters System)
- Tier 2 Public Employees System
- Tier 2 Public Safety and Firefighters Contributory Retirement System (Tier 2 Public Safety and Firefighters System)

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 defined contribution plans)

NORTH FORK SPECIAL SERVICE DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

District employees qualify for membership in the public employees systems if 1) employment normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board or 2) the employee is an appointed officer whose position is full time as certified by the District. An employee qualifies for membership in the public safety systems if employment normally requires an average of 2,080 hours of employment per year in a recognized public safety department.

Title 49 of the Utah Code grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

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

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans.

Retirement benefits in the defined benefit pension plans are determined from 1.50% to 2.50% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

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

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2024, the District's required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates			District Rates for 401(k) Plan	Totals
	District Contribution	Amortization of UAAL *	Paid by District for Employee		
Tier 1 Noncontributory System	11.86%	5.11%	-	-	16.97%
Tier 1 Firefighters System	1.61%	-	15.05%	-	16.66%
Tier 2 Public Safety and Firefighter System**	10.08%	5.11%	0.70%	-	15.89%
Tier 2 Public Employees System	14.08%	-	4.73%	-	18.81%

* The District is required to contribute additional amounts based on covered-employee payroll to finance the unfunded actuarial accrued liability (UAAL) of the Tier 1 plans.

** District contribution includes 0.08% of covered-employee payroll of the Tier 2 Contributory System plan for death benefits.

Employees can make contributions to defined contribution plans, up to applicable plan and Internal Revenue Code limits.

For the year ended December 31, 2024, District and employee contributions to the plan were as follows:

	District Contributions*	Employee Contributions
Tier 1 Noncontributory System	\$ 35,745	\$ -
Tier 1 Firefighters System	3,974	15,542
Tier 2 Public Employees System	21,140	519
Tier 2 Public Safety and Firefighter System	34,687	-
401(k) Plan	53,324	46,942

* Required contributions from Tier 2 Contributory System plan to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 Contributory System plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At December 31, 2024, the District reported a net pension asset of \$60,239 and a net pension liability of \$72,624 for its proportionate share of the net pension liability (asset) for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 46,730
Tier 1 Firefighters System	60,239	-
Tier 2 Public Employee System	-	7,424
Tier 2 Public Safety and Firefighter System	-	18,470
Total	<u>\$ 60,239</u>	<u>\$ 72,624</u>

The net pension liability (asset) was measured as of December 31, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2023, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of the District's actual contribution compared to the

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2023 and the change in its proportion since the prior measurement date of December 31, 2022 for each plan:

	Proportionate Share	
	2023	Change
Tier 1 Noncontributory System	0.0201460%	0.0036784%
Tier 1 Firefighters System	0.2566707%	0.0079804%
Tier 2 Public Employee System	0.0038142%	0.0020074%
Tier 2 Public Safety and Firefighter System	0.0490331%	0.0173195%

For the year ended December 31, 2024 the District recognized pension expense for the plans as follows:

	Pension Expense
Defined benefit plans:	
Tier 1 Noncontributory System	\$ 32,322
Tier 1 Firefighters System	(10,741)
Tier 2 Public Employees System	9,605
Tier 2 Public Safety and Firefigher System	23,520
Defined contribution plans:	
401(k) Plan	53,324
Total	<u>\$ 108,030</u>

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources				
	Tier 1 Non-Contributory System	Firefighters System	Tier 2 Public Employee System	Tier 2 Public Safety System	Total
Differences between expected and actual experience	\$ 32,721	\$ 39,605	\$ 2,378	\$ 9,877	\$ 84,581
Changes of assumptions	14,023	6,364	4,249	13,458	38,094
Net difference between projected and actual earnings on pension plan investments	15,196	11,147	838	1,933	29,114
Changes in proportion and differences between contributions and proportionate share of contributions	282	1,465	697	1,017	3,461
District contributions subsequent to the measurement date	35,745	3,974	21,140	34,721	95,580
Total	<u>\$ 97,967</u>	<u>\$ 62,554</u>	<u>\$ 29,302</u>	<u>\$ 61,006</u>	<u>\$ 250,830</u>

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

	Deferred Inflows of Resources				Total
	Tier 1 Non-Contributory System	Firefighters System	Tier 2 Public Employee System	Tier 2 Public Safety System	
Differences between expected and actual experience	\$ -	\$ -	\$ 122	\$ 1,261	\$ 1,383
Changes of assumptions	-	-	6	379	385
Net difference between projected and actual earnings on pension plan investments	741	-	-	-	741
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,933	518	537	1055
	-	-	-	-	3,933
Total	<u>\$ 741</u>	<u>\$ 3,933</u>	<u>\$ 646</u>	<u>\$ 2,177</u>	<u>\$ 7,497</u>

The \$95,580 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2023 will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources			
	Tier I Non-Contributory System	Firefighter System	Tier 2 Public Employee System	Tier 2 Public Safety System
2024	\$ 20,281	\$ 9,909	\$ 609	\$ 1,719
2025	19,012	16,270	905	2,214
2026	28,570	28,885	1,621	3,598
2027	(6,382)	(415)	473	1,140
2028	-	-	632	1,685
Thereafter	-	-	3,277	13,749

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

Inflation	2.50%
Salary increases	3.50% to 9.50%, average, including inflation
Investment rate of return	6.85%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period ended December 31, 2022. The wage inflation assumptions increased by 0.25 percent to a range of 3.50 percent to 9.50 percent from the prior measurement date.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Expected Real Rate of Return
Equity securities	35%	6.87%	2.40%
Debt securities	20%	1.54%	0.31%
Real assets	18%	5.43%	0.98%
Private equity	12%	9.80%	1.18%
Absolute return	15%	3.86%	0.58%
Cash and cash equivalents	0%	0.24%	0.00%
Total	100%		5.45%
Inflation			2.50%
Expected arithmetic nominal return			7.95%

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

Discount Rate – The discount rate used to measure the total pension liability (asset) was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). The discount rate was not changed from the prior measurement date.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 242,526	\$ 46,730	\$ (117,236)
Tier 1 Firefighters System	71,886	(60,239)	(167,676)
Tier 2 Public Employees System	25,507	7,424	(6,600)
Tier 2 Public Safety and Firefighter	59,512	18,470	(14,364)
Total	\$ 399,431	\$ 12,385	\$ (305,876)

NORTH FORK SPECIAL SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Payables to Retirement Plans – At December 31, 2024, the District reported payables of \$3,474 to defined benefit pension plans and defined contributions plans.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

Note 8 – Related Party Transactions

The District has an agreement with Utah County to provide the specified areas of the County with fire protection and ambulance services through December 31, 2024. During the year ended December 31, 2024 and 2023, the District received \$58,389 and \$57,682, respectively, from Utah County as part of the agreement.

Note 9 – Risk Management

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$2,000,000 per occurrence through policies administered by a third party. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the third party. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$5,000 per occurrence. Settled claims have not exceeded the District’s insurance coverage for any of the past three years.

Note 10 – Restatement

During the year ended December 31, 2024, the District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* and restated the beginning balance for compensated absences and net position.

	2024	2023
Net position - beginning, as previously reported	\$ 10,810,317	\$ 8,695,273
Implementation of GASB Statement 101	(13,362)	(9,855)
Net position - beginning, as restated	<u>\$ 10,796,955</u>	<u>\$ 8,685,418</u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Liability (Asset)
NORTH FORK SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Utah Retirement Systems
Last 10 Fiscal Years

Noncontributory System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.0201460%	0.0164680%	0.0156409%	0.0155479%	0.0148848%	0.0118602%	0.0102142%	0.0099813%	0.0158248%	0.0166345%
Proportionate share of the net pension liability (asset)	\$ 46,730	\$ 28,205	\$ (89,577)	\$ 7,975	\$ 56,099	\$ 87,335	\$ 44,752	\$ 64,092	\$ 89,544	\$ 72,231
Covered payroll	\$ 198,379	\$ 157,683	\$ 140,374	\$ 151,703	\$ 133,706	\$ 81,640	\$ 60,654	\$ 63,371	\$ 139,095	\$ 146,224
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.56%	17.89%	-63.81%	5.26%	41.96%	106.98%	73.78%	101.14%	64.38%	49.40%
Plan fiduciary net position as a percentage of the total pension liability	96.90%	97.50%	108.70%	99.20%	93.70%	87.00%	91.90%	87.30%	87.80%	90.20%
Firefighters System										
Proportion of the net pension liability (asset)	0.2566707%	0.2486903%	0.2559303%	0.2404988%	0.2318658%	0.1700720%	0.2205825%	0.0838282%	0.0000000%	0.0720117%
Proportionate share of the net pension liability (asset)	\$ (60,239)	\$ (64,586)	\$ (149,263)	\$ (67,248)	\$ (28,756)	\$ 22,083	\$ (13,777)	\$ (661)	\$ -	\$ (4,109)
Covered payroll	\$ 98,000	\$ 89,450	\$ 85,327	\$ 78,462	\$ 74,235	\$ 53,464	\$ 64,499	\$ 23,846	\$ -	\$ 21,689
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-61.47%	-72.20%	-174.93%	-85.71%	-38.74%	41.30%	-21.36%	-2.77%	0.00%	-18.95%
Plan fiduciary net position as a percentage of the total pension liability	106.79%	108.40%	120.10%	110.50%	105.00%	94.30%	103.00%	100.40%	0.00%	103.50%
Tier 2 Public Employee System										
Proportion of the net pension liability (asset)	0.0038142%	0.0018068%	0.0006358%	0.0000000%	0.0000000%	0.0000000%	0.0061613%	0.0081381%	0.0008044%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 7,424	\$ 1,967	\$ (269)	\$ -	\$ -	\$ -	\$ 543	\$ 908	\$ (2)	\$ -
Covered payroll	\$ 98,610	\$ 39,122	\$ 11,642	\$ -	\$ -	\$ -	\$ 60,587	\$ 66,739	\$ 5,206	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.53%	5.03%	-2.31%	0.00%	0.00%	0.00%	0.90%	1.40%	-0.04%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	89.58%	92.30%	103.80%	0.00%	0.00%	0.00%	97.40%	95.10%	100.20%	0.00%
Tier 2 Public Safety and Firefighters System										
Proportion of the net pension liability (asset)	0.0490331%	0.0317136%	0.0177112%	0.0169972%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 18,470	\$ 2,646	\$ (895)	\$ 1,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 185,791	\$ 97,576	\$ 42,354	\$ 34,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	9.94%	2.71%	-2.11%	4.36%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	89.10%	96.40%	102.80%	93.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule of the Contributions to the Utah State Retirement Systems
NORTH FORK SPECIAL SERVICE DISTRICT
(A Component Unit of Utah County)
Utah Retirement Systems
Last 10 Fiscal Years

Noncontributory System	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 35,745	\$ 35,649	\$ 28,706	\$ 25,462	\$ 25,563	\$ 23,501	\$ 15,576	\$ 11,203	\$ 11,705	\$ 25,691
Contributions in relation to the contractually required contribution	(35,745)	(35,649)	(28,706)	(25,462)	(25,563)	(23,501)	(15,576)	(11,203)	(11,705)	(25,691)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 204,306	\$ 198,379	\$ 157,683	\$ 140,374	\$ 151,703	\$ 133,706	\$ 84,332	\$ 60,654	\$ 63,371	\$ 139,095
Contributions as a percentage of covered-employee payroll	17.50%	17.97%	18.20%	18.14%	16.85%	17.58%	18.47%	18.47%	18.47%	18.47%
Firefighters System										
Contractually required contribution	\$ 3,974	\$ 3,538	\$ 3,654	\$ 3,934	\$ 3,617	\$ 2,379	\$ 2,379	\$ 3,862	\$ 928	\$ -
Contributions in relation to the contractually required contribution	(3,974)	(3,538)	(3,654)	(3,934)	(3,617)	(2,379)	(2,379)	(3,862)	(928)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 110,808	\$ 98,000	\$ 89,450	\$ 85,327	\$ 78,462	\$ 50,772	\$ 50,772	\$ 64,499	\$ 23,846	\$ -
Contributions as a percentage of covered-employee payroll	3.59%	3.61%	4.08%	4.61%	4.61%	4.69%	4.69%	5.99%	3.89%	0.00%
Tier 2 Public Employees System										
Contractually required contribution	\$ 21,140	\$ 15,787	\$ 6,271	\$ 1,871	\$ -	\$ -	\$ -	\$ 9,313	\$ 9,148	\$ 776
Contributions in relation to the contractually required contribution	(21,140)	(15,787)	(6,271)	(1,871)	-	-	-	(9,313)	(9,148)	(776)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 136,916	\$ 98,610	\$ 39,122	\$ 11,642	\$ -	\$ -	\$ -	\$ 62,165	\$ 61,395	\$ 5,206
Contributions as a percentage of covered-employee payroll	15.44%	16.01%	16.03%	16.07%	0.00%	0.00%	0.00%	14.98%	14.90%	14.91%
Tier 2 Public Safety and Firefighters System										
Contractually required contribution	\$ 34,687	\$ 26,159	\$ 13,739	\$ 5,834	\$ 4,296	\$ -	\$ -	\$ -	\$ 579	\$ -
Contributions in relation to the contractually required contribution	(34,687)	(26,159)	(13,739)	(5,834)	(4,296)	-	-	-	(579)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 246,939	\$ 186,199	\$ 97,576	\$ 40,658	\$ 34,979	\$ -	\$ -	\$ -	\$ 5,385	\$ -
Contributions as a percentage of covered-employee payroll	14.05%	14.05%	14.08%	14.35%	12.28%	0.00%	0.00%	0.00%	10.75%	0.00%
Tier 2 Defined Contribution Plan - Local Government										
Contractually required contribution	\$ -	\$ -	\$ 1,759	\$ 3,235	\$ 3,022	\$ 3,285	\$ 5,856	\$ 2,225	\$ 930	\$ -
Contributions in relation to the contractually required contribution	-	-	(1,759)	(3,235)	(3,022)	(3,285)	(5,856)	(2,225)	(930)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ 18,720	\$ 48,355	\$ 45,170	\$ 49,103	\$ 88,804	\$ 37,259	\$ 13,895	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	9.40%	6.69%	6.69%	6.69%	6.59%	5.97%	6.69%	0.00%

NORTH FORK SPECIAL SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

The information presented was determined as part of actuarial valuations performed. Over time the actuarial assumptions are periodically changed. Amounts reported in the current and prior plan years include the following significant actuarial assumption changes:

<u>Plan Year</u>	<u>Discount Rate</u>	<u>Payroll Growth Rate</u>	<u>Wage Inflation Rate</u>	<u>Inflation Rate</u>
2023	6.85%	2.9%	3.50 to 9.50%	2.5%
2022	6.85%	2.9%	3.25 to 9.25%	2.5%
2021	6.95%	2.9%	3.25 to 9.25%	2.5%
2020	6.95%	2.9%	3.25 to 9.25%	2.5%
2017	6.95%	3.0%	3.25 to 3.35%	2.5%
2017	6.95%	3.0%	3.25 to 3.35%	2.5%
2017	6.95%	3.0%	3.25 to 3.35%	2.5%
2016	7.20%	3.3%	3.35 to 9.35%	2.6%
2015	7.50%	3.3%	3.50 to 9.50%	2.8%
2014	7.50%	3.5%	3.75 to 9.75%	2.8%

NOTE 2 – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. A portion of the required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability of the Tier 1 plans.

COMPLIANCE REPORTS

NORTH FORK SPECIAL SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2024

Federal Grantor / Pass Through Grantor / Program Title	Assistance Listing Number	Pass-through Identifying Number	Beginning Receivable (Unearned)	Received	Expended	Ending Receivable (Unearned)
U.S. DEPARTMENT OF TREASURY						
Passed through State of Utah Governor's Office of Economic Opportunity:		220630407				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	230630571	\$ (4,374,376)	\$ -	\$ 903,755	\$ (3,470,621)
Passed through Utah County:						
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	(1,631,357)	-	884,159	(747,198)
Total federal awards			<u>\$ (6,005,733)</u>	<u>\$ -</u>	<u>\$ 1,787,914</u>	<u>\$ (4,217,819)</u>

See the accompanying notes to this schedule.

NORTH FORK SPECIAL SERVICE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis for Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of North Fork Special Service District (the District) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

C. Subrecipients of Federal Awards

The District did not provide federal award funding to any subrecipients during the year ended December 31, 2024.



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*

Board of Directors
North Fork Special Service District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Fork Special Service District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2025.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
June 24, 2025



Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control
over Compliance Required by the Uniform Guidance

Board of Directors
North Fork Special Service District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited North Fork Special Service District (the District)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2024. The District's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material, if there is substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Squire & Company, PC

Orem, Utah
June 24, 2025

**NORTH FORK SPECIAL SERVICE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

2023-001 Procurement and Suspension and Debarment

The District has addressed and resolved all findings from the prior year.

**NORTH FORK SPECIAL SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2024**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified	No
Significant deficiency identified	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of Major Federal Programs

Name of Federal Program (Assistance Listing Number)

Coronavirus State and Local Fiscal Recover Funds (21.027)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



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

Board of Directors
North Fork Special Service District

Report on Compliance

Opinion

We have audited North Fork Special Service District's (the District) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2024:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Governmental Fees
Special and Local Service District Board Members

In our opinion, North Fork Special Service District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2024.

Basis for Opinion

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*, issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Squire & Company, PC

Orem, Utah
June 24, 2025