BEAR RIVER WATER CONSERVANCY DISTRICT

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS YEAR ENDED DECEMBER 31, 2025

BEAR RIVER WATER CONSERVANCY DISTRICT

TABLE OF CONTENTS

CHILD RICHARDS
— CPAs & ADVISORS —

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Bear River Water Conservancy District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Bear River Water Conservancy District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Bear River Water Conservancy District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bear River Water Conservancy District, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA

2490 WALL AVENUE, OGDEN, UTAH 84401 | MAIN 801-621-0440 | FAX 801-399-9264

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, the schedule of contributions, and the notes to the required supplementary information on pages 4-7 and 35-37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bear River Water Conservancy District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2026 on our consideration of the Bear River Water Conservancy 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 Bear River Water Conservancy 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 Bear River Water Conservancy District's internal control over financial reporting and compliance.

Child Richards CPAs & Advisors

Ogden, Utah
March 20, 2026

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Bear River Water Conservancy District (the District), we offer readers of the Bear River Water Conservancy District's financial statements this narrative overview for the year ending December 31, 2025. As management, we encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

The Statement of Net Position provides information regarding all assets of the District, such as cash, accounts receivable, prepaid items, and capital assets as well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net position.

The Statement of Revenue, Expenses, and Changes in Fund Net Position shows all revenue received during the year broken down by charges for service, impact fees, property taxes, interest, and other miscellaneous revenue. The expenses are summarized by salaries and benefit expenses, maintenance supplies and materials, utilities, general insurance, engineering and professional fees, interest, and depreciation. This statement also shows the net position at the beginning of the year and at the end of the year.

The Statement of Cash Flows summarizes the flow of cash from operating activities, investment activities as well as capital and related financing activities and provides a reconciliation of operating income to the net cash provided by the operating activities.

Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Condensed Financial Information

Statement of Net Position

Total net position was $19,905,837 at December 31, 2025. Capital assets at December 31, 2025 were $19,033,309 net of depreciation. Total liabilities were $4,557,455.

Condensed Statement of Net Position

	2025	2024
Assets		
Current assets	$ 4,162,410	$ 4,150,705
Other assets	1,350,371	2,322,916
Capital assets, net	19,033,309	17,050,445
Total assets	24,546,090	23,524,066
Deferred outflows of resources	156,039	169,723
Total assets & deferred outflows	$ 24,702,129	$ 23,693,789
Liabilities		
Current liabilities	$ 1,117,566	$ 1,046,326
Long-term liabilities	3,439,889	3,771,498
Total liabilities	4,557,455	4,817,824
Deferred inflows of resources	238,837	1,356,442
Total liabilities & deferred inflows	4,796,292	6,174,266
Net Position		
Net investment in capital assets	$ 14,827,981	$ 12,653,415
Restricted	1,412,834	2,412,230
Unrestricted	3,665,022	2,453,878
Total net position	$ 19,905,837	$ 17,519,523

Condensed Financial Information – Continued

Statement of Revenue

Total revenue increased by 162,233 or 3.03% from 2024.

Condensed Statement of Revenue

Revenue	2025	2024
Charges for service	$ 858,736	$ 843,385
Intergovernmental revenue	2,019,529	1,938,230
Impact fees	80,296	-
Property taxes	2,235,092	2,251,580
Interest	190,184	210,016
Lease income	93,620	94,710
Miscellaneous	31,817	9,120
Total revenues	$ 5,509,274	$ 5,347,041

Statement of Expenses

Total expenses for 2025 were $3,122,960.

Condensed Statement of Expenses

Expenses	2025	2024
Wages and employee benefits	$ 701,032	$ 694,041
Materials, supplies, and utilities	852,795	953,624
Depreciation/amortization	434,179	427,508
Miscellaneous	121,890	120,142
Professional fees	622,608	314,040
Interest	38,731	41,279
Weather modification	49,366	61,737
Contributions to other governments	225,704	190,025
Loss on disposal	76,655	96,970
Total expenses	$ 3,122,960	$ 2,899,366

Condensed Financial Information – Continued

Statement of Changes in Net Position

Condensed Statement of Changes in Net Position

	2025	2024
Revenues	$ 5,509,274	$ 5,347,041
Expenses	3,122,960	2,899,366
Total changes in net position	2,386,314	2,447,675
Net position - beginning of year	17,519,523	15,071,848
Net position - end of year	$ 19,905,837	$ 17,519,523

Financial Position and Results of Operations

As compared to 2024, the District's total position increased by $2,386,314. Total liabilities decreased by $260,369, due mostly to payments on bonds and a decrease in accounts payable. Total revenue increased by $162,233, largely due to increased charges for services, grant revenue, and property taxes. Expenses increased by $223,594 due to increased professional fees. These total changes in revenues and expenses resulted in a $2,386,314 increase in total net position.

During 2025, the District spent $2,421,682 on capital assets. The District continued its investment in the Flat Canyon well, a production well, and constructing the necessary waterlines. In addition, $1,540,850 was spent on construction of the Harper Ward tank and pipeline and $724,584 was spent on the South Willard Backup well. Both projects were in progress at year-end.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's General Manager at 102 West Forest, Brigham City, Utah, 84302.

BASIC FINANCIAL STATEMENTS

BEAR RIVER WATER CONSERVANCY DISTRICT

STATEMENT OF NET POSITION

DECEMBER 31, 2025

ASSETS:		
Current assets:		
Cash and investments (note 2)	$ 3,629,277	
Accounts receivable, net	131,314	
Grant receivable	76,122	
Lease receivable - current	12,256	
Due from other governments	297,652	
Prepaid expenses	15,789	
Total current assets		4,162,410
Noncurrent assets:		
Restricted cash and investments (note 8)	1,350,371	
Capital assets:		
Land and water rights	1,242,312	
Work in progress	5,188,594	
Net depreciable assets	12,602,403	
Total noncurrent assets		20,383,680
Total assets		24,546,090
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	156,039	
Total deferred outflows of resources		156,039
Total assets and deferred outflows of resources		$ 24,702,129
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 630,603	
Retainage payable	33,604	
Payroll liabilities	23,417	
Interest payable	49,252	
Other liabilities	25,690	
Long-term liabilities - current portion (note 4)	355,000	
Total current liabilities		1,117,566
Long-term liabilities:		
Compensated absences	51,538	
Net pension liability	92,435	
Bonds payable (note 4)	3,295,916	
Total long-term liabilities		3,439,889
Total liabilities		4,557,455
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	1,141	
Related to leases	3,150	
Related to ARPA funds	234,546	
Total deferred inflows of resources		238,837
Total liabilities and deferred inflows of resources		4,796,292
NET POSITION:		
Net investment in capital assets	14,827,981	
Restricted for:		
Impact fees	264,433	
Bond reserves	1,085,938	
Net pension	62,463	
Unrestricted	3,665,022	
Total net position		$ 19,905,837

See accompanying notes to the financial statements

BEAR RIVER WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

YEAR ENDED DECEMBER 31, 2025

Operating revenues:		
Charges for services	$ 858,736	
Total operating revenue		858,736
Operating expenses:		
Wages and benefits	701,032	
Materials, supplies, and utilities	852,795	
Depreciation	418,502	
Amortization	15,677	
Miscellaneous	121,890	
Professional fees	622,608	
Total operating expenses		2,732,504
Net income (loss) from operations		(1,873,768)
Non-operating revenue (expenses):		
Property taxes	2,235,092	
Impact fee revenue	80,296	
Lease income	93,620	
Interest income	190,184	
Grants	2,019,529	
Gain/(loss) on disposal	(76,655)	
Weather modification	(49,366)	
Interest expense	(38,731)	
Other income	31,817	
Contributions to other governments	(225,704)	
Total non-operating revenue (expenses)		4,260,082
Net income (loss) before contributions		2,386,314
Change in net position		2,386,314
Net position - beginning of year		17,519,523
Net position - end of year		$ 19,905,837

See accompanying notes to the financial statements

BEAR RIVER WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

Cash flows from operating activities:		
Receipts from customers	$ 890,369	
Payments to suppliers	(1,738,117)	
Payments to employees	(673,741)	
Net cash from operating activities		(1,521,489)
Cash flows from noncapital financing activities:		
Property tax revenue	2,054,384	
Other revenues	31,817	
Grant revenue	1,421,726	
Impact fees	80,296	
Weather modification expense	(49,366)	
Net cash from noncapital and related financing activities		3,538,857
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(132,000)	
Long-term debt proceeds	-	
Purchase and construction of capital assets	(2,440,209)	
Proceeds from sale of assets	6,200	
Interest paid	(16,823)	
Payments on leases	(16,325)	
Payments received on lease receivables	94,458	
Net cash from capital and related financial activities		(2,504,699)
Cash flows from investing activities:		
Interest received	190,184	
Net cash from investing activities		190,184
Net increase (decrease) in cash		(297,147)
Cash, restricted cash, and cash equivalents - beginning of year		5,276,795
Cash, restricted cash, and cash equivalents - end of year		$ 4,979,648
Reconciliation of operating income to net cash provided by operating activities:		
Net income (loss) from operations		$ (1,873,768)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation/amortization	434,179	
(Increase)/decrease in accounts receivables	31,633	
(Increase)/decrease in prepaid expenses	(10,053)	
Increase/(decrease) in accounts payable	(149,298)	
Less amounts related to capital activities	18,527	
Increase/(decrease) in payroll liabilities	(8,884)	
Increase/(decrease) in net pension liability	26,851	
Increase/(decrease) in compensated absences	9,324	
Total adjustments		352,279
Net cash from operating activities		$ (1,521,489)
Capital and related financing activities not affecting cash:		
Contributions from developers	$ -	

See accompanying notes to the financial statements

(1) Organization and Summary of Significant Accounting Policies

A. Organization

The Box Elder County Commissioners, recognizing that limited water resources could be a major detriment to continued prosperity and growth in Box Elder County, supported the creation of the Bear River Water Conservancy District in 1988. The Board membership consists of municipal, irrigation and representatives from throughout the county. The District's main objective is to help ensure an adequate water supply for the county.

B. Financial Reporting Model

Beginning in 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. This statement provided guidance on the presentation of deferred outflows and inflows of resources. GASB No. 63 also changes the name of the first statement from "Statement of Net Assets" to "Statement of Net Position." It also changes the name of equity from "Net Assets" to "Net Position."

C. Accounting Method

The District is an enterprise fund and its records are maintained on the accrual basis of accounting. The District elected to follow all Governmental Accounting Standards Board (GASB) pronouncements. The District has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the District has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB.

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

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Application for this criterion involves considering whether the activity benefits the government, and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has one component unit described below.

(1) Organization and Summary of Significant Accounting Policies - Continued

D. Reporting Entity (Continued)

Bear River Water Conservancy District Local Building Authority (LBA) - the Bear River Water Conservancy District Local Building Authority (LBA) is governed by a board of trustees comprised of the District's board of trustees. Although it is legally separate from the District, the LBA is reported as if it were part of the District because its sole purpose is to provide bond funds for District projects. It is treated as a blended component unit.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The District develops, purchases, treats and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies:

These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The District reports its water production, storage and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on an accounting basis be financed or recovered primarily through user charges.

E. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

F. Capital Assets

Plant, property, and equipment acquired are capitalized and stated at cost. This includes any infrastructure assets. The District's capitalization threshold is $5,000 for equipment and $50,000 for infrastructure.

Depreciation of fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives of each major class of depreciable fixed assets are as follows:

Buildings	40 years
Water systems	50 years
Equipment	5 to 7 years

No depreciation is provided on construction in progress until the asset is placed into service.

(1) Organization and Summary of Significant Accounting Policies - Continued

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Budgets and Budgetary Accounting

The District follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Special Districts.

I. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

J. Pensions

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

K. Deferred Outflows of Resources

In addition to assets, the statement of financial position 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred contributions and differences between projected and actual earnings on its pension plan assets.

L. Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items reported under this category. The District participates in the Utah Retirement Systems and has deferred inflows of resources associated with differences between expected and actual experience and changes in assumptions. Additionally, the District has deferred inflows of resources associated with unspent grant proceeds and those related to deferred lease inflows.

(1) Organization and Summary of Significant Accounting Policies - Continued

M. Leases/ Subscription Based Information Technology Arrangements (SBITAs)

The District recognizes a liability and an intangible right-to-use assets in the government-wide financial statements. At the commencement of a lease/SBITA, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct / implementation costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases/SBITAs include how the District determines (the discount rate it uses to discount the expected lease payments to present value, (2) term, and (3) payments.

- The District uses the interest rate charges by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rates as the discount rate for leases.
- The term includes the noncancellable period of the lease/SBITA. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. In determining the term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the term if the lease/SBITA is reasonably certain to be extended (or not terminated).

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITAs and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. Assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position. Payments due under the lease/SBITA contracts are fixed payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the District under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the District exercising that option.

Payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in leases/SBITAs to maximize operational flexibility in terms of managing the assets used in the District's operations. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor.

(1) Organization and Summary of Significant Accounting Policies - Continued

M. Leases/ Subscription Based Information Technology Arrangements (SBITAs)(Continued)

The payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the District 's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Leases as a Lessor: The District is a lessor for noncancellable leases of office space and land.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term

N. Compensated Absences

Liabilities for compensated absences are recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. Compensated absences are measured and reported under the economic resources measurement focus, but not on the current financial resources measurement focus.

(2) Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents' which also includes cash accounts that are separately held by some of the District's funds. Deposits are not collateralized nor are they required to be by State statute.

The District follows the requirements of the Utah Money Management Act (*Utah Code,* Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of district funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

(2) Deposits and Investments - Continued

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2025, $31,165 of the District's bank balances of $158,564 was uninsured and uncollateralized.

Investments

The State of Utah Money Management 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. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the District's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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 U.S. government sponsored enterprises (U.S. 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 Money Management Act; and the Utah State Public Treasurers' Investment Fund.

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 Money Management Act (*Utah Code,* Title 51, Chapter 7). The Act established the Money Management 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.

(2) Deposits and Investments – Continued

Investments (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

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

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

At December 31, 2025, the District had the following recurring fair value measurements:

Investments by fair value level	Level 1	Level 2	Level 3	Total
Debt securities				
Utah Public Treasurer's Investment Fund	$ 4,847,962	$ -	$ -	$ -
Total	$ 4,847,962	$ -	$ -	$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the December 31, 2024 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund.

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's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

(2) Deposits and Investments - Continued

As of December 31, 2025, the District's investments had the following maturities:

	Investment Maturities (in Years)				
Investment Type:	Fair Value	Less than 1	1-5	6-10	More than 10
PTIF Investments	$ 4,847,962	$ 4,847,962	$ -	$ -	$ -

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 State's Money Management Act, as previously discussed.

At December 31, 2025, the District's investments had the following quality ratings:

	Quality Ratings			
Investment Type:	Fair Value	AAA	AA	Unrated
PTIF Investments	$ 4,847,962	$ -	$ -	$ 4,847,962

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 reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

- Remainder of page left intentionally blank -

(2) Deposits and Investments – Continued

Concentration of Credit Risk (Continued)

The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Cash on hand and on deposit:

Cash on deposit	$ 131,686
Investment in Utah Public Treasurer's Investment fund	4,847,962
Total cash and investments	$4,979,648

Cash and investments are included in the accompanying combined statement of net position as follows:

Unrestricted cash and investments	$3,629,277
Restricted cash	1,350,371
Total cash and investments	$4,979,648

- Remainder of page left intentionally blank -

(3) Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	December 31, 2024	Increases	Transfers	Decreases	December 31, 2025
Capital assets not being depreciated:					
Work in process	$ 5,193,538	$2,265,434	$(2,265,739)	$ (4,639)	$ 5,188,594
Land and water rights	1,242,312	-	-	-	1,242,312
Total capital assets not being depreciated	6,435,850	2,265,434	(2,265,739)	(4,639)	6,430,906
Capital assets being depreciated:					
Buildings and equipment	1,268,312	122,481	-	(21,688)	1,369,105
Right of use asset	47,031	-	-	-	47,031
Water systems	14,813,655	33,767	2,265,739	-	17,113,161
Total capital assets being depreciated	16,128,998	156,248	2,265,739	(21,688)	18,529,297
Accumulated depreciation and amortization:					
Buildings and equipment	(612,691)	(102,384)	-	21,688	(693,387)
Right of use asset	(15,677)	(15,677)	-	-	(31,354)
Water systems	(4,886,035)	(316,118)	-	-	(5,202,153)
Total accumulated depreciation	(5,514,403)	(434,179)	-	21,688	(5,926,894)
Net depreciable assets	10,614,595	(277,931)	2,265,739	-	12,602,403
Business-type activities capital assets, net	$17,050,445	$1,987,503	$ -	$ (4,639)	$19,033,309

- Remainder of page left intentionally blank -

(4) Long-term Liabilities

Revenue Bonds Payable

The following is a summary of the District's revenue bonds at December 31, 2025:

A. $1,818,000 Local Building Authority of the Bear River Water Conservancy District, Utah Lease Revenue Bond Series 2008, due in annual installments between $2,212 and $116,623 through January 1, 2029, with interest at 2.19%.

B. $240,000 Water Bonds (Division of Drinking Water) Series 2011, non-interest bearing, due in annual installments between $7,000 and $9,000 through March 1, 2042.

C. $2,865,000 Local Building Authority of the Bear Water Conservancy District, Utah, due in annual installments between $92,187 and $104,624 through January 2, 2044, with interest at 0.60%.

D. $100,000 Water Bonds (Division of Drinking Water) Series 2016, non-interest bearing, due in annual installments of $10,000 through January 1, 2027.

E. $50,000 Water Bonds Series 2020 (Drinking Water Board), non-interest bearing, due in installments that alternate $2,000 and $3,000 payments through January 1, 2040.

F. $141,000 Water Revenue Bonds Series 2021 (Drinking Water Board), non-interest bearing, due in $7,000 annual installments through January 1, 2041.

G. $2,840,000 Water Revenue Bonds (Division of Drinking Water) Series 2024, due in annual installments between $129,000 and $156,000 from 2026 to 2045, with interest at 1.00%.

The District has pledged both their infrastructure and land as collateral for their long-term liabilities. All of the revenue bonds are paid with the District's annual operating revenue.

- Remainder of page left intentionally blank -

(4) Long-term Liabilities – Continued

Changes in Long-term Liabilities

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amount Due Within One Year
Series 2008	$ 543,000	$ -	$ (104,000)	$ 439,000	$ 106,000
Series 2011	154,000	-	(8,000)	146,000	8,000
Series 2014	1,873,000	-	-	1,873,000	93,000
Series 2016	30,000	-	(10,000)	20,000	10,000
Series 2020	39,975	-	(3,000)	36,975	2,000
Series 2021	119,941	-	(7,000)	112,941	7,000
Series 2024	1,023,000	-	-	1,023,000	129,000
Compensated absences	42,214	9,324	-	51,538	-
Lease liability	15,486	-	(15,486)	-	-
Net pension liability	78,368	14,067	-	92,435	-
Totals	$ 3,918,984	$ 23,391	$ (147,486)	$ 3,794,889	$ 355,000

Debt Service Requirements

The debt service requirements, including interest and principal, for all bonds, excluding the Series 2024 Water Revenue Bonds, at December 31, 2025, are as follows:

	Revenue Bonds	
Year ending December 31:	Principal	Interest
2026	226,000	20,852
2027	231,000	17,973
2028	223,000	15,022
2029	226,000	12,021
2030	113,000	8,976
2031-2035	577,000	36,198
2036-2040	595,000	21,438
2041-2045	426,916	6,198
	$ 2,617,916	$ 138,677

(4) Long-term Liabilities – Continued

Debt Service Requirements (Continued)

On August 8, 2024, the District issued the Series 2024 Water Revenue Bonds. The purpose of the issuance was to obtain funding for the construction of water system improvements. The bonds are sourced from the Division of Drinking Water. The bonds were issued at $2,840,000 with an annual rate of 1.00%. Principal payments on the bonds are due on January 1st of each year starting on January 1, 2026 through 2045.

As of December 31, 2025, $1,023,000 of the bonds had been received. The remaining funds are held in escrow until they are requested for reimbursement. Accordingly, only $1,023,000 is included in the bond payable balance on the financial statements as of December 31, 2025.

The debt service requirements, including interest and principal, for the Series 2024 Water Revenue Bonds at December 31, 2025, are as follows:

	Revenue Bonds	
Year ending December 31:	Principal	Interest
2026	129,000	28,400
2027	130,000	27,110
2028	132,000	25,810
2029	133,000	24,490
2030	134,000	23,160
2031-2035	692,000	95,390
2036-2040	726,000	60,130
2041-2045	764,000	23,070
	$ 2,840,000	$ 307,560

For the year ended December 31, 2025, the District charged $38,731 to interest expense and no interest was capitalized.

- Remainder of page left intentionally blank -

(5) Retirement Plans

Pension Plan

General Information about the Pension Plan

Plan Description:

Eligible plan participants are provided with pensions though the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

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

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

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

- Remainder of page left intentionally blank -

(5) Retirement Plans - Continued

Benefits Provided:

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

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

* Actuarial reductions are applied.

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

Contribution Rate Summary

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

	Employee	Employer	Employer 401(k)
Contributory System			
111 Local Government Div - Tier 2	0.81	14.19	-
Noncontributory System			
15 Local Government Div - Tier 1	N/A	15.97	N/A
Tier 2 DC Only			
211 Local Government - Tier 2	N/A	4.19	10.00

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

(5) Retirement Plans - Continued

For the fiscal year ended December 31, 2025, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 32,097	$ -
Tier 2 Public Employees System	30,582	1,578
Total Contributions	$ 62,679	$ 1,578

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

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

At December 31, 2025, we reported a net pension asset of $0 and a net pension liability of $92,435.

	(Measurement Date): December 31, 2024				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2023	Change (Decrease)
Noncontributory System	$ -	$ 73,833	0.0232829%	0.0270712%	-0.0037884%
Tier 2 Public Employees System	$ -	$ 18,602	0.0062374%	0.0080019%	-0.0017645%
	$ -	$ 92,435			

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

For the year ended December 31, 2025, we recognized pension expense of $89,544.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 52,036	$ 128
Changes in assumptions	12,320	2
Net difference between projected and actual earnings on pension plan investments	23,429	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,576	1,011
Contributions subsequent to the measurement date	62,679	-
Total	$ 156,039	$ 1,141

(5) Retirement Plans - Continued

$62,679 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	$ 45,157
2026	44,602
2027	(7,409)
2028	283
2029	4,335
Thereafter	$ 5,250

<u>Noncontributory System Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Related to Pensions</u>

For the year ended December 31, 2025, we recognized a pension expense of $69,013.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 43,994	$ -
Changes in assumptions	6,107	-
Net difference between projected and actual earnings on pension plan investments	22,240	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,315	447
Contributions subsequent to the measurement date	32,097	-
Total	$ 105,753	$ 447

$32,097 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measuring date of December 31, 2024.

(5) Retirement Plans - Continued

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	$ 42,798
2026	41,083
2027	(9,024)
2028	(1,648)
2029	-
Thereafter	$ -

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

For the year ended December 31, 2025, we recognized a pension expense of $20,532.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,042	$ 128
Changes in assumptions	6,213	2
Net difference between projected and actual earnings on pension plan investments	1,189	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,261	564
Contributions subsequent to the measurement date	30,582	-
Total	$ 50,286	$ 695

$30,582 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measuring date of December 31, 2024.

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

Year ended December 31,	Deferred Outflows (Inflows) of Resources
2025	$ 2,359
2026	3,520
2027	1,615
2028	1,931
2029	4,335
Thereafter	$ 5,250

(5) Retirement Plans - Continued

Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.5 – 9.5 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

(5) Retirement Plans - Continued

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

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 312,252	$ 73,833	$ (126,124)
Tier 2 Public Employees System	$ 55,561	$ 18,602	$ (10,148)
Total	$ 367,812	$ 92,435	$ (136,271)

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

Defined Contribution Savings Plans

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

Bear River Water District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

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

401(k) Plan	**2025**	**2024**	**2023**
Employer Contributions	$ 12,108	$ 12,130	$ 13,981
Employee Contributions	$ 15,141	$ 17,420	$ 17,592
457 Plan			
Employer Contributions	$ -	$ -	$ -
Employee Contributions	$ 2,554	$ 1,358	$ -
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 3,823	$ 3,056	$ 1,615

(6) Risk Management

Bear River Water Conservancy District is exposed to various risks of loss related to torts, theft of damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At December 31, 2025, there were no outstanding claims or judgments against the District. Settlements did not exceed insurance coverage for each of the past three years.

Coverage	Policy Limits	Insurer	Expiration Date
Comprehensive General Liability	$ 5,000,000	Utah Local Governments Trust	7/1/2026
Public Official's Errors and Omissions	$ 5,000,000	Utah Local Governments Trust	7/1/2026
Employee Benefits Liability	$ 5,000,000	Utah Local Governments Trust	7/1/2026
Auto Bodily Injury/Property Damage	$ 5,000,000	Utah Local Governments Trust	7/1/2026
Uninsured Motorist Coverage	$ 100,000	Utah Local Governments Trust	7/1/2026
Underinsured Motorist Coverage	$ 100,000	Utah Local Governments Trust	7/1/2026
Personal Injury Protection	$ 5,000	Utah Local Governments Trust	7/1/2026
Utility Service Sub-Limit	$ 1,000,000	Utah Local Governments Trust	7/1/2026
Sexual Harassment Sub-Limit	$ 1,000,000	Utah Local Governments Trust	7/1/2026
No-Fault Sewer and Potable Water	$ 100,000	Utah Local Governments Trust	7/1/2026
Foreign Claims and Suits Sub-Limit	$ 1,000,000	Utah Local Governments Trust	7/1/2026
Declaratory, Injunctive Relief and Land Use Defense	$ 50,000	Utah Local Governments Trust	7/1/2026
Malfeasance Defense	$ 20,000	Utah Local Governments Trust	7/1/2026

(7) Lease Receivable

The District is reporting a lease receivable of $12,256 at December 31, 2025. For 2025, the District reported lease revenue of $93,620 and interest revenue of $1,090 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue	Total
Riverside North Garland Water Company lease	$ -	$ 2,200	$ 18	$ 2,218
Ukon Water Company lease	12,256	12,134	152	12,286
Chanshare, Inc. lease	-	79,286	920	80,206
Total lease agreements	$ 12,256	$ 93,620	$ 1,090	$ 94,710

Riverside North Garland Water Company:

In 2012, the District entered into a lease agreement with Riverside North Garland Water Company to lease to the Company an extension of domestic water lines. The lease is for a period of 14 years and terminates on September 30, 2026. The annual lease payments are $2,218 per year.

(7) Lease Receivable – Continued

Ukon Water Company:

In 2015, Bear River Water Conservancy District entered into a lease agreement with Ukon Water Company to lease to the Company a segment of the District's Pipeline. The lease is for a period of 12 years and terminates on March 1, 2026. The annual lease payments are $12,286 per year.

Chanshare, Inc:

District has agreed to lease to Chanshare real property, some improvements on the real property, irrigation wells, and the right to use up to a maximum of 1,200-acre feet of water per year for irrigation use on the real property in exchange for lease payments that are currently $80,206 per year. The lease terminates on December 31, 2026.

(8) Net Position

The District reports net position in three categories: restricted, unrestricted, and net investment in capital assets. The City's restricted net position includes unspent restricted funds for unspent impact fees, bond reserves, and the net position in pension related balances. The calculation on the net investment in capital assets is as follows:

Total capital assets, net	$ 19,033,309
Accounts payable related to capital assets	(554,412)
Current portion of long-term debt	(355,000)
Long-term debt	(3,295,916)
Net investment in capital assets	$ 14,827,981

The calculation on the restricted pension amounts is as follows:

Net pension asset	$ -
Deferred outflows of resources	156,039
Deferred inflows of resources	(1,141)
Net pension liability	(92,435)
Restricted net pension	$ 62,463

- Remainder of page left intentionally blank -

(8) Net Position - Continued

The cash and investments listed as restricted in the statement of net position are deposits and bond proceeds required to be spent on certain construction projects or bond sinking funds required to be accumulated. It is the District's policy to use restricted assets before unrestricted assets for allowable expenditures. The calculation on the restricted net position for impact fees and bond reserves as well as restricted assets are as follows:

Restricted Net Position	
Bothwell impact fees	$ 154,398
Harper Ward impact fees	9,687
Collinston impact fees	47,368
Beaver Dam impact fees	52,980
South Willard impact fees	-
Bond reserves and interest on reserves	1,085,938
Total Restricted Net Position	**$ 1,350,371**
Restricted Cash and Investments	
Impact fees	$ 264,433
Bond sinking funds	1,085,938
Total Restricted Assets	**$ 1,350,371**

(9) Property Tax

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due on November 30.

(10) Bond Resolution Compliance - Series 2008 Revenue Bonds

1. Beginning January 10, 2010, and annually thereafter until the Series 2008 reserve fund is fully funded, the District is required to deposit $11,600 into the reserve fund until it is fully funded at $116,000. This Reserve Account shall be used to fund revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2025 was $269,117.

2. Beginning January 10, 2010, and on or before the 10th day of each subsequent month, the District is required to reserve one-twelfth (1/12) of five percent (5%) of the total annual operating budget for the District's entire drinking water system for each fiscal year in which the Series 2008 Bonds are outstanding. No portion of the property tax funds are intended to be placed in the Replacement Account and no portion of property tax funds are pledged therefore. The balance in this account at December 31, 2025 was $285,552.

(11) Tax Abatements

The District participates in redevelopment activities that qualify as tax abatements, according to GASB 77 as authorized under the Interlocal Cooperation Act, Title 11, Chapter 13 of the Utah Code Annotated. The District assists redevelopment projects by providing a share of the tax increment from the project area.

For the fiscal year ended December 31, 2025, the District provided tax increment funding totaling $190,025 under these agreements, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 100 percent property tax abatement to West Forest EDA – Brigham City. The abatement amounted to $24,534.
- A 100 percent property tax abatement to EDA 2015-1. The abatement amounted to $80,576.
- A 100 percent property tax abatement to Box Elder County EDA 2008-1 – Proctor & Gamble (187). The abatement amounted to $55,659.

(12) Other Matters

The District was awarded a significant grant shortly after year-end in the amount of $2 million from the Environmental Protection Agency. These funds will be used towards water infrastructure projects to develop additional water sources.

(13) Subsequent Events

Events subsequent to the date of the financial statements through March 20, 2026, which is the financial statement issuance date, have been evaluated.

- Remainder of page left intentionally blank -

REQUIRED SUPPLEMENTARY INFORMATION

BEAR RIVER WATER CONSERVANCY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2025 WITH MEASUREMENT DATE OF DECEMBER 31, 2024

Last 10 fiscal years*

	Fiscal year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability/(asset)	Covered employee payroll	of the net pension liability/(asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability/(asset)
Noncontributory System	2025	0.0232829%	$ 73,833	$ 214,361	34.44%	96.02%
	2024	0.0270712%	$ 62,793	$ 241,314	26.02%	96.9%
	2023	0.0212479%	$ 36,392	$ 134,749	27.01%	97.5%
	2022	0.0170461%	$ (97,625)	$ 87,441	-111.65%	106.7%
	2021	0.0170362%	$ 8,739	$ 83,766	10.43%	99.2%
	2020	0.0168410%	$ 63,472	$ 83,167	76.32%	93.7%
	2019	0.0172831%	$ 127,268	$ 112,492	113.14%	87.0%
	2018	0.0183140%	$ 80,239	$ 138,862	57.78%	91.9%
	2017	0.0183776%	$ 118,007	$ 142,033	83.08%	87.3%
	2016	0.0177196%	$ 100,266	$ 132,589	75.62%	87.8%
Tier 2 Public Employees System	2025	0.0062374%	$ 18,602	$ 184,883	10.06%	87.44%
	2024	0.0080019%	$ 15,575	$ 206,877	7.53%	89.58%
	2023	0.0124875%	$ 13,598	$ 273,242	4.98%	92.3%
	2022	0.0129745%	$ (5,491)	$ 240,875	-2.28%	103.8%
	2021	0.0149637%	$ 2,152	$ 239,186	0.90%	98.3%
	2020	0.0163062%	$ 3,667	$ 226,645	1.62%	96.5%
	2019	0.0123636%	$ 5,295	$ 143,326	3.69%	90.8%
	2018	0.0088793%	$ 783	$ 86,955	0.90%	97.4%
	2017	0.0094808%	$ 1,058	$ 77,750	1.36%	95.1%
	2016	0.0109200%	$ (24)	$ 70,545	-0.03%	100.2%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI.

See accompanying notes to required supplementary information

BEAR RIVER WATER CONSERVANCY DISTRICT
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2025 WITH MEASUREMENT DATE OF DECEMBER 31, 2024
Last 10 fiscal years*

	As of fiscal year ended December 31,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a precentage of covered employe payroll
Noncontributory System	2016	26,234	26,234	-	142,033	18.47%
	2017	25,648	25,648	-	138,862	18.47%
	2018	20,777	20,777	-	112,492	18.47%
	2019	15,361	15,361	-	83,167	18.47%
	2020	15,471	15,471	-	83,766	18.47%
	2021	16,150	16,150	-	87,441	18.47%
	2022	24,452	24,452	-	134,749	18.15%
	2023	43,364	43,364	-	241,314	17.97%
	2024	37,504	37,504	-	213,786	17.54%
	2025	32,097	32,097	-	195,133	16.45%
Tier 2 Public Employees System*	2016	11,593	11,593	-	77,750	14.91%
	2017	13,053	13,053	-	86,955	15.01%
	2018	22,070	22,070	-	143,326	15.40%
	2019	35,360	35,360	-	226,645	15.60%
	2020	37,633	37,633	-	239,186	15.73%
	2021	38,396	38,396	-	240,875	15.94%
	2022	43,835	43,835	-	273,242	16.04%
	2023	33,121	33,121	-	206,877	16.01%
	2024	28,857	28,857	-	184,883	15.61%
	2025	30,582	30,582	-	208,458	14.67%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 System. Tier 2 systems were created effective July 1, 2011. Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rated due to rounding and other administrative practices.

Changes in Assumptions:

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

AUDITOR'S REPORTS

C|R
CHILD RICHARDS
— CPAs & ADVISORS —

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*

To the Board of Trustees and Management of
Bear River Water Conservancy District
102 West Forest Street
Brigham City, UT 84302

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 of Bear River Water Conservancy District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Bear River Water Conservancy District's basic financial statements, and have issued our report thereon dated March 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bear River Water Conservancy 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 Bear River Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bear River Water Conservancy 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 or significant deficiencies may exist that were not identified.

ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA
2490 WALL AVENUE, OGDEN, UTAH 84401 | MAIN 801-621-0440 | FAX 801-399-9264

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bear River Water Conservancy 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 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.

Child Richards CPAs & Advisors

Ogden, Utah
March 20, 2026

C|R
CHILD RICHARDS
— CPAs & ADVISORS —

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

To the Board of Trustees of
Bear River Water Conservancy District

Report On Compliance

We have audited Bear River Water Conservancy District's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could for the year ended December 31, 2025.

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

Budgetary Compliance
Fraud Risk Assessment
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 Bear River Water Conservancy District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Bear River Water Conservancy 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 Bear River Water Conservancy District's compliance with those requirements.

ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA
2490 WALL AVENUE, OGDEN, UTAH 84401 | MAIN 801-621-0440 | FAX 801-399-9264

Opinion on Compliance

In our opinion, Bear River Water Conservancy District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2025.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings – state legal compliance as item *2025-01*. Our opinion on compliance is not modified with respect to this matter.

Bear River Water Conservancy District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings. Bear River Water Conservancy District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

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

Child, Richards CPAs & Advisors

Ogden, Utah
March 20, 2026

2025-01: State Compliance – Fraud Risk Assessment

Criteria: Per state compliance, the District should have sufficient documentation to support its Fraud Risk Assessment.

Condition: The District did not have sufficient documentation to support its Fraud Risk Assessment.

Cause: The Fraud Risk Assessment contained assertions that could not be substantiated with documentation.

Effect: There is no effect on the financial statements. The District is noncompliant with the Utah Code.

Recommendation: We recommend that the District implement the items answered "Yes" in the Fraud Risk Assessment or answer the Assessment accordingly.

Management's Response: The District will reassess the Fraud Risk Assessment in more detail when completing for future years.

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

To the Board of Trustees of
Bear River Water Conservancy District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bear River Water Conservancy District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Bear River Water Conservancy District's major federal programs for the year ended December 31, 2025. Bear River Water Conservancy District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Bear River Water Conservancy District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ROYCE J. RICHARDS, J.D., CPA | RYAN R. CHILD, CPA
2490 WALL AVENUE, OGDEN, UTAH 84401 | MAIN 801-621-0440 | FAX 801-399-9264

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 Bear River Water Conservancy District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Bear River Water Conservancy 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 Bear River Water Conservancy 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 Bear River Water Conservancy District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Child Richards CPAs & Advisors

Ogden, Utah
March 20, 2026

BEAR RIVER WATER CONSERVANCY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Grantor Pass Through/ Grantor Program Title	Assistance Listing Number	Pass-Through Entity Number	Federal Award Expended	Subrecipient Awards
Major Programs:				
Department of Agriculture				
Watershed Protection and Flood Prevention	10.904		$ 422,442	-
	Total Major Programs		$ 422,442	
Non-Major Programs:				
Department of the Treasury				
Coronavirus State and Local Fiscal Recovery Funds	21.027		$ 115,550	-
U.S. Bureau of Reclamation				
Reclamation States Emergency Drought Relief	15.514		385,400	-
	Total Nonmajor Programs		500,950	
	Total Federal Awards Expended		$ 923,392	

See Accompanying Notes

BEAR RIVER WATER CONSERVANCY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule of Bear River Water Conservancy District's general purpose financial statements and is presented for purposes of additional analysis. Because the schedule presents only a select portion of the activities of the Bear River Water Conservancy District, it is not intended to and does not present the financial position, changes in net position or the revenues or expenditures of Bear River Water Conservancy District. The schedule is required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

A.Basis of Presentation – The information is presented in accordance with the Uniform Guidance and in accordance with accrual basis of accounting.

Federal Awards – Pursuant to the Uniform Guidance, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. Federal awards do not include direct federal cash assistance to individuals.

Type A and Type B Programs – The Uniform Guidance establishes the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. The Type A program threshold during the year was $750,000.

B.Reporting Entity – The reporting entity is fully described in the footnotes of Bear River Water Conservancy District's financial statements. The schedule includes all federal awards programs administered by Bear River Water Conservancy District for the year ended December 31, 2025.

C.Basis of Accounting – The expenditures in the Schedule are recognized as incurred based on the accrual basis of accounting and the cost accounting principles contained in the Uniform Guidance. The information in the Schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

D.Assistance Listing Numbers – Uniform Guidance requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified as Assistance Listing Numbers, formerly (CFDA). Each program is assigned a five-digit program identification number (AL number).

E.Major Programs – The Uniform Guidance establishes a risk-based approach to be used in defining major federal financial programs. Major programs are identified in the schedule of findings and questioned costs.

F.Indirect Costs – The District does not use an indirect cost allocation.

G.Loan Programs – The balance of federal loan programs as of December 31, 2025 was $0.

BEAR RIVER WATER CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material of financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.	No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.904	Watershed Protection and Flood Prevention

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

BEAR RIVER WATER CONSERVANCY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Section II – Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards.*

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Findings and Questioned Costs – Financial Statements in Accordance with Government Auditing Standards

None