MINUTES
BOARD OF TRUSTEES PUBLIC MEETING

Meeting date:	July 6, 2026
Time:	6:00 pm
Location:	533 East Water Works Drive, St. George Utah 84770
Participants:	Board members Ed Bowler, Rick Rosenberg, Clark Fawcett, Kress Staheli and Victor Iverson. Michele Randall was on the phone. Adam Bowler was not present. District staff included Zach Renstrom, general manager; Mindy Mees, secretary; Jodi Richins, general counsel; Brie Thompson, and Corey Cram, associate general managers. Other meeting attendees as noted on the attached sign-in sheet.

2025 Audit presentation

McKay Hall of Squire & Company presented the District's independent audit for the fiscal year ending December 31, 2025. Mr. Hall noted that Hinton Burdick merged with Squire & Company during the past year.

Mr. Hall reviewed the purpose of the independent audit, explaining that the objective is to obtain reasonable assurance that the District's financial statements are free of material misstatement. He explained that the audit is conducted in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards issued by the Comptroller General of the United States.

Mr. Hall stated that auditors perform a risk-based audit by testing selected transactions, confirming balances, and reviewing supporting documentation rather than examining every transaction. He also explained that while the audit is not an audit of internal controls, auditors evaluate internal controls to determine whether they are operating effectively and identify any material weaknesses or significant deficiencies.

Mr. Hall reported the following results:

- The District received an unmodified (clean) opinion on its 2025 financial statements.
- The Government Auditing Standards ("Yellow Book") report contained no material weaknesses or significant deficiencies in internal controls over financial reporting.
- The State Compliance Report also received a clean opinion, with no material findings.

Mr. Hall highlighted several key financial results as of December 31, 2025:

- Total net position: $733 million
- Increase in total net position: $89 million
  - Governmental activities: $59 million
  - Business-type activities: $31 million

Net position consisted of:

- $388 million invested in capital assets
- $302 million restricted for specific purposes
- $42 million unrestricted

Mr. Hall said that increasing net position over time generally indicates a financially healthy organization that is keeping pace with growth and inflation.

Mr. Hall reviewed several five-year trend analyses, noting:

- General Fund assets and fund balance have steadily increased while liabilities have remained relatively stable.
- Unrestricted cash balances have generally increased over the five-year period.
- District revenues have consistently exceeded expenditures, allowing the District to continue building financial reserves.
- The Virgin River Program has maintained positive cash balances despite revenues and expenditures being relatively close in some years.
- The Capital Projects Fund is designed to accumulate resources before funding major capital projects. While expenditures exceeded revenues in 2023 and 2025 due to significant capital investments, the fund continues to maintain a positive balance.
- Proprietary Fund revenues have exceeded expenses over the five-year period, resulting in continued growth in net position. Assets have increased while liabilities have remained relatively stable, demonstrating continued financial strength.

Mr. Hall concluded that the District remains in a strong financial position and thanked the Board and staff for their cooperation during the audit process.

Zach Renstrom, General Manager, said that the District has several major infrastructure projects beginning soon. He explained that, starting next year, expenditures will increase significantly due to projects such as the new water treatment plant, which is estimated to cost approximately $100 million. He advised the Board to keep these upcoming capital investments in mind when reviewing future financial reports, as project-related expenditures will be substantially higher over the next several years.

Trustee Kress Staheli said that he appreciated the audit and felt the most significant takeaway was that it was a clean audit. He said that the results reflect the District's strong internal controls, sound decision-making, and careful planning by staff. He also expressed his appreciation for the independent, objective third-party audit and noted that it was encouraging to receive an audit with no material misstatements.

Trustee Clark Fawcett made a motion to approve the 2025 audit presented by Squire and Company, the motion was seconded by Trustee Rick Rosenberg and all voted aye.

<u>Consider appointing Kay Barnum as District Clerk</u>

Mr. Renstrom explained that, while reviewing and updating District procedures, staff discovered that the District had not formally appointed an official District Clerk. He said that Kay Barnum has been performing the responsibilities of that role and has done an excellent job managing the District's financial and administrative duties. Mr. Renstrom recommended that the Board formally appoint Kay as the District Clerk to officially recognize the role she has already been fulfilling.

Trustee Victor Iverson made a motion to appoint Kay Barnum as district clerk, the motion was seconded by Trustee Kress Staheli and all voted aye.

<u>Water Supply update</u>

Associate General Manager Brie Thompson presented the District's water supply update, highlighting current hydrologic conditions, water deliveries, and reservoir storage.

Ms. Thompson reported that flows in the Virgin River have declined to levels similar to last year, which was one of the driest years on record. Because of the low flows, the Utah Division of Water Rights has issued a call on the main stem and several tributaries of the Virgin River, requiring water users with priorities later than 1900 to cease diversions. As a result, the District is no longer diverting water into Quail Creek or Sand Hollow Reservoirs, and the available water is being used by senior water rights holders, primarily irrigation companies.

Ms. Thompson said that cumulative precipitation since the beginning of the water year (October 1) is approximately 60 percent of normal. Although soil moisture maps appear improved compared to earlier presentations, she explained this is due to seasonal comparisons, and soil moisture remains below normal across most of Washington County.

Ms. Thompson also reviewed regional water use, reporting that water deliveries to the District's municipal partners have increased by only about 5 percent since 2022, while the number of equivalent residential connections has grown by approximately 20 percent. This represents an estimated 14 percent reduction in water use per equivalent residential connection, demonstrating continued improvements in water efficiency.

Ms. Thompson provided updates on reservoir conditions

- Kolob Reservoir remains near the spillway, although it is no longer spilling.
- Sand Hollow and Quail Creek Reservoirs have continued to decline since May and are currently below their levels at the same time last year. With no additional water being diverted into the reservoirs, storage is expected to continue decreasing through the summer.

- Gunlock Reservoir is in better condition than it was a year ago but has also experienced a significant decline between May 1 and July 1.

Ms. Thompson concluded that while regional water use remains relatively efficient, drought conditions persist, reservoir storage is declining, and the District hopes summer monsoonal storms will provide some relief.

Consider amending agreement with Solara development

Mr. Renstrom introduced the agenda item, explaining that it involved a proposed amendment to a previously approved water service agreement for a development adjacent to the Cotton Tanks and Cotton Wells.

Mr. Renstrom reminded the Board that, at an earlier meeting, the developer requested water service for 74 connections, consisting of 14 single-family homes and 60 townhomes, which the Board approved. At that time, Toquerville City indicated that the development was expected to be annexed into the city in the near future, and the Board's intent was to provide service for the initial phase while allowing the city and developer to finalize annexation and future service arrangements.

Mr. Renstrom explained that the developer has since returned with a request to amend the agreement to include the full planned development, which is expected to consist of up to approximately 1,400 lots.

Mr. Renstrom explained that, in addition to expanding the agreement to cover the full development, the developer had submitted a request that day to amend the agreement to include language stating that the developer would negotiate in good faith with Toquerville City regarding annexation. Because the request was received after the Board packets had been distributed, the proposed language was not included in the meeting materials.

Mr. Renstrom invited Aaron Tilton, the developer, to present the proposed amendment and noted that the Mayor of Toquerville and city representatives were also present to participate in the discussion.

Aaron Tilton with Solara Communities updated the Board on the progress made since the August 20, 2025, meeting regarding the proposed development and its efforts to work with the City of Toquerville. He explained that over the past 11 months, the developer has completed the tasks requested by the Board, including negotiating with Toquerville to become the retail water provider. This process included three public hearings, execution of a pre-annexation agreement, approval of a development agreement (pending minor amendments), and submission of a Notice of Intent to Annex.

Mr. Tilton reviewed the concerns raised by the Board and City officials during previous meetings, including:

- Development outside city boundaries using city resources without paying for them.

- The possibility of infrastructure being built without city standards or oversight before annexation.
- Potential financial impacts to Toquerville if it were required to serve the development without adequate revenue.

Mr. Tilton stated that the developer has addressed these concerns by agreeing to:

- Pay all valid impact fees or otherwise mitigate any impacts created by the project.
- Construct nearly all of the required infrastructure for the development.
- Build an independent water system, including a new water tank, which would ultimately be dedicated to the City of Toquerville upon annexation.
- Utilize the Ash Creek Special Service District for sewer service rather than connecting to Toquerville's existing sewer system.

Mr. Tilton said that third-party engineering studies, including work completed by Alpha Engineering at the District's request, indicate that nearly all infrastructure must be newly constructed because the project is outside Toquerville's current service area. Since the property is not included in the City's Capital Facilities Plan, impact fees will continue to be evaluated as additional engineering information becomes available.

Mr. Tilton explained that the development agreement negotiated with Toquerville is virtually identical to the agreement previously negotiated with Washington County. From the developer's perspective, there is no meaningful financial advantage to developing in either jurisdiction. The only significant difference is that Toquerville permits 100 nightly rental units while the County allows 200. Mr. Tilton stated that this does not materially affect the project because any reduction in nightly rentals would simply result in additional single-family residences.

Mr. Tilton emphasized that the primary issue is not the development agreement but the uncertainty surrounding annexation. Although the developer has completed all required steps including signing agreements and filing the Notice of Intent to Annex, the pre-annexation agreement does not obligate the City to complete the annexation process. He said that previous annexation efforts involving the property had failed, including one in 2020 and another involving the City of Leeds, creating concern that the current effort could also stall.

Solara has already invested nearly $20 million in the project, and all lots have been pre-sold. To meet contractual obligations, construction must begin in fall 2026 so that the first lots can be delivered by October 2027.

Mr. Tilton said that Washington County has continued to process approvals by creating a Public Infrastructure District (PID), allowing the developer to access municipal bond financing, and granting 75 development entitlements.

Because the timing of annexation remains uncertain, Mr. Tilton requested that the Board allow both approval paths to continue simultaneously. Under the proposed approach:

- The County approval process would continue while Toquerville completes annexation.

- If annexation is finalized, the retail water service agreement would automatically transfer to Toquerville and the County agreement would become void.
- This would allow the developer to obtain a will-serve letter, issue infrastructure bonds, begin construction, and meet project deadlines without waiting for annexation to be completed.

Mr. Tilton concluded by stating that the developer supports Toquerville ultimately serving as the retail water provider. The request is intended only to preserve project timing while annexation proceeds. He also said that the District's water commitments would continue to be reviewed annually as development phases move forward, allowing the Board to monitor both the project's progress and the status of annexation before additional water is committed.

Toquerville City Mayor Dan Catlin provided the City's perspective on the proposed annexation and development agreement.

Mayor Catlin said that he has been with the City since January and offered additional background on the annexation process. He explained that the Planning Commission initially recommended against approving portions of the proposal, primarily due to concerns about the number of permitted nightly rental units and the developer's approach to impact fees.

Mayor Catlin said the City Council addressed these concerns by reducing the allowable nightly rentals from the original proposal to 100 units, bringing the project closer to the City's existing standards. Regarding impact fees, Mayor Catlin explained that the City Council modified the development agreement to require that each potential impact fee be evaluated individually. If an impact fee is determined to be applicable, the developer will pay it; if not, the City may waive it. He also noted that changes being considered by the Utah Legislature regarding impact fees have created some uncertainty, making the City cautious as those laws evolve.

Mayor Catlin emphasized that while the developer intends to construct much of the project's infrastructure, the City believes the development of approximately 1,400 new homes, compared to Toquerville's current 1,200 residences, will inevitably create impacts beyond the immediate project area. He stated that it is unrealistic to assume the development will not affect city services and infrastructure as a whole.

Mayor Catlin further explained that although the project is geographically closer to Leeds, residents will primarily travel through Toquerville to access Interstate 15 and nearby communities such as Hurricane and La Verkin. Because of these travel patterns, the City expects increased traffic through Toquerville, particularly around the I-15 interchange and frontage roads, which are already anticipated to become significantly busier as development continues.

Mayor Catlin concluded that, from the City's perspective, annexation is the most practical solution. Since Toquerville will experience the project's impacts regardless of jurisdictional boundaries, incorporating the development into the city will allow Toquerville to better plan for growth, manage infrastructure, and provide municipal services effectively.

Trustee Kress Staheli asked whether Toquerville actually wants the development within its city limits, and whether the City Council has the political support and willingness to approve the annexation when it comes before them.

Trustee Staheli also requested clarification on the developer's statements regarding water infrastructure. Trustee Staheli asked whether the reason the developer would not pay water impact fees was because the development is constructing all of its own water infrastructure, implying that the infrastructure improvements being built by the developer may offset or eliminate the need for certain water impact fees.

Mayor Catlin responded that annexation makes financial sense for the City of Toquerville. Mayor Catlin acknowledged that, like many communities, many residents would prefer not to see additional growth but emphasized that the development is expected to occur regardless of jurisdiction. From the City's perspective, it is preferable for the project to be annexed into Toquerville rather than remain in the unincorporated county.

Mayor Catlin said that the City Council has already approved the pre-annexation agreement, and based on that action, he believes the Council will ultimately approve the annexation when it comes before them.

Mayor Catlin addressed the question about impact fees. He clarified that water-related impact fees are separate from the City's impact fees. The developer will pay water impact fees to the Washington County Water Conservancy District and sewer-related impact fees to the Ash Creek Special Service District.

Mayor Catlin explained that despite the concerns regarding Toquerville's municipal impact fees, such as those for parks and other city infrastructure, the developer has agreed to pay any applicable and appropriate city impact fees as they are evaluated.

Trustee Victor Iverson said that additional discussion about impact fees will likely be necessary because the City's previous impact fee studies did not account for the Solara development. Trustee Iverson said that he and Mayor Catlin have previously had candid discussions on the issue and observed that Toquerville bears some responsibility for not engaging with the project earlier, allowing the development process to advance before annexation was seriously considered.

Trustee Iverson expressed appreciation that the City is now willing to revisit the issue, stating that he believes the development ultimately belongs in Toquerville. He also said that although the development is currently located about three miles outside the existing town, its primary effect will be on Toquerville's future growth rather than its current developed area.

Trustee Iverson compared the situation to Hurricane, where the original town is surrounded by newer development, suggesting Toquerville will likely evolve in a similar way. He acknowledged that residents may have mixed feelings about that growth but indicated that it is a reality the community will need to address.

Trustee Iverson also defended Washington County's role as the current land use authority, emphasizing that the County maintains high development standards and that the infrastructure constructed under County approval would meet standards comparable to those required by Toquerville. He concluded by thanking Mayor Catlin and the City Council for their willingness to engage in annexation discussions.

Trustee Iverson asked whether Mayor Catlin agreed that if Toquerville's previous leadership had embraced the project and pursued annexation earlier, the annexation likely would have already been completed and the Board would not be discussing the issue at this meeting.

Mayor Catlin responded by providing additional background on Toquerville's involvement.

Mayor Catlin explained that Toquerville's annexation plans and studies only included property within the City's boundaries, so the Solara property was not part of those analyses because it was located outside the City limits. He clarified that when the developer first approached Toquerville about annexation, the City did not yet have ordinances authorizing the annexation of the property. Before annexation could even be considered, the City had to amend its ordinances, designate the property within an annexation expansion area, and complete the legal steps necessary to make annexation possible. Because of those legal limitations, Mayor Catlin said it would be inaccurate to suggest that Toquerville ignored the project from the beginning. He said that during this period the City was already working with the developer and had entered into agreements involving the Bureau of Land Management (BLM) for a secondary access road, which was necessary for the development to exceed 75 residential units.

Mayor Catlin reiterated one of the City's primary concerns if the project remains in the County is that Toquerville would become responsible for maintaining both Mills Lane and the planned secondary access road, even though the development would remain outside the City's jurisdiction and would not generate City revenues to help cover those maintenance costs.

Mayor Catlin explained for impact fees, one of his ongoing concerns is that Washington County does not impose municipal impact fees, whereas cities do. As a result, Toquerville has been working to preserve as much of the County's existing development approvals as possible while also bringing the project into closer compliance with the City's ordinances. He said that this balancing effort led to negotiations over issues such as nightly rentals, with the developer ultimately agreeing to reduce the allowable number to 100 units.

Mayor Catlin said that the situation places both the City and the developer in a difficult position. He acknowledged that the differing regulatory systems create challenges. He questioned how the County recovers the costs of infrastructure associated with a development of this size when it does not collect municipal impact fees, asking who ultimately bears those costs if impact fees are not assessed.

Trustee Staheli said that the key issue for the Board is determining which entity has land use authority over the project whether it is Washington County or the City of Toquerville. In his view, the central question is whether the property has valid development entitlements under the appropriate land use authority.

Toquerville City Manager Ben Billingsley explained that the Solara project is unusual compared to a typical annexation request. He said that, in most cases, developers seek annexation into a city to obtain additional development entitlements or higher residential densities than would otherwise be available in the county. In this instance, however, the situation is different because the City of Toquerville is generally willing to match the development entitlements already granted by Washington County. As a result, the developer is not pursuing annexation for additional density or financial benefit but instead is seeking certainty while the annexation process is completed.

Mr. Billingsley said he understands why the developer is requesting a dual-path approach. From the developer's perspective, maintaining both the county approval process and the annexation process simultaneously is a practical way to avoid delays or complications if annexation ultimately does not occur. Given the significant investment already made in the project, he said the request is reasonable.

From the City's perspective, Mr. Billingsley emphasized that the property lies within Toquerville's designated future annexation area, making annexation the City's preferred long-term outcome. He also expressed appreciation for the developer and described their representatives as cooperative partners throughout the negotiations. Mr. Billingsley acknowledged that projects of this size naturally require considerable time and coordination.

To provide context for the scale of the project, Mr. Billingsley compared Solara to Long Valley in Washington City. Mr. Billingsley explained that Long Valley is currently entitled at approximately 4 to 4.5 dwelling units per acre, while Solara is proposed at roughly 7.5 dwelling units per acre. He said Solara is a relatively high-density development located on the fringe of both Washington County and Toquerville

Mr. Billingsley said that both Washington County and Toquerville City are processing the project. He explained that the City is working to move the annexation process forward as efficiently as possible, but the process necessarily involves multiple agencies, applicants, public hearings, and statutory requirements. Because of those procedural steps, annexation cannot be completed immediately, and the City's review must continue through the established legal process.

Trustee Clark Fawcett asked whether Toquerville City supported approval of the project or preferred to delay action to allow more time to work through issues. Mr. Fawcett said that he has mixed emotions about the proposal. He explained that the District has historically been positioned as a wholesale water supplier, not a retail water provider. While the District has stepped into retail service situations, when necessary, he expressed concern that serving approximately 1,400 homes would effectively commit the District to becoming a retail provider. Mr. Fawcett emphasized that he generally does not support the District becoming a retail provider and believes retail water service should remain with cities. He pointed to existing agreements with cities that define the District’s role as a wholesale supplier and said he believes the District should continue operating within that role.

Mayor Catlin said that the only thing he could see changing Toquerville's position would be a significant legislative change that created a financial burden related to annexation. He explained that cities rely heavily on impact fees, especially from new development, to help maintain and expand infrastructure. If legislative changes limited the ability to collect impact fees, cities would potentially have to make up for the difference through property taxes.

Mayor Catlin stated that, for Toquerville, if future legislation significantly restricted impact fees to the point where the city would need to add approximately 1,500 additional homes beyond the 1,200 existing homes just to maintain infrastructure funding, it could create a substantial impact on current residents. Mayor Catlin said that he could not predict what the legislature may do and that this was the only potential issue he could identify that might cause Toquerville to no longer support the proposal.

Trustee Fawcett said that the legislature's next session was still several months away and questioned whether, given a potential six- to eight-month timeline to complete the process, the matter could be resolved before any legislative changes might take effect.

Mr. Billingsley said that the city has received the annexation petition from the developer and that the process is moving forward. He explained that the city does not intend to create any barriers or prevent the annexation process from proceeding.

Mayor Catlin said that like any other city, Toquerville would have to address any future changes in state law if they occur. He said the city should proceed based on the laws and circumstances as they currently exist and deal with any changes if they happen in the future.

Mayor Catlin said that some residents may never agree with the proposal, but he believes that from a financial and management standpoint, having the area become part of the city makes the most sense.

Trustee Iverson asked what is the responsibility of the Water District to provide water?

Mr. Renstrom responded that the District's responsibility extends across the entire county and that the Board has a fiduciary duty to all residents and communities within the District's service area. He explained that the Board must consider the interests of everyone in the county equally from communities such as Hildale and Springdale to Washington City and St. George City. The decision before the Board should not be based on whether they personally favor one community or another, but rather on what policy or decision best serves the county as a whole.

Mr. Renstrom emphasized that the Board must evaluate the issue from a collective perspective and recognize that, in some decisions, there may be winners and losers. However, the Board's responsibility is to make the decision that best fulfills its obligation to all residents throughout the county.

Trustee Staheli stated that, in his view, the issue comes down to the District staying within its intended role and responsibility as a water supplier. Trustee Staheli also said that the developer approached the District seeking water for entitled lots or connections, and that this is the foundation of his consideration. He said the question is whether it makes more sense for the developer, based on its timeline and investment, to work with a municipality which can provide services that make daily life more convenient or to work through the county and receive the services a county can provide.

Trustee Staheli stated that, as a Board member with a duty related to water supply, the key question is whether there are entitled lots for which the District may have an obligation to provide water. He acknowledged that the developer is trying to preserve options by considering both paths.

Trustee Staheli stated that he believes the District's obligation to provide water is stronger when there is an entitlement from either a county or municipality allowing development to occur. He was hesitant to move forward with will-serve letters or commitments before there was a clear need or obligation.

Trustee Staheli said that the District represents the regional water supply role, while counties and cities have their own responsibilities. If lots are properly platted and ready for development and a city cannot serve them due to limitations under the Regional Water Supply Agreement, then the matter could be brought to the District.

Trustee Staheli indicated that he was not comfortable getting ahead of the process or making commitments before a clear duty to serve exists.

Trustee Fawcett asked Toquerville City whether they wanted the Board to act on the request as presented or whether they preferred to continue working through the annexation process rather than pursuing parallel paths through both the City and the County.

Mayor Catlin responded that the City's plan is to continue moving forward with the annexation process. He explained that, from the City's perspective, the question before the Board was not about the City's intentions, but rather whether the District would provide retail water service if annexation ultimately could not be completed.

Trustee Fawcett stated that he had no objection to providing wholesale water service, noting that wholesale service is the District's primary role. However, he expressed significant concern about expanding the District's retail service responsibilities for the project while the annexation issue remained unresolved.

Trustee Fawcett stated that he was not comfortable committing to a larger retail service obligation at this time. He indicated that he would prefer a phased or "stair-step" approach, under which the District could continue considering wholesale service while encouraging the project to proceed through the City of Toquerville for retail service.

Mr. Tilton said that he did not believe there was significant disagreement among the parties. He said he agreed with Trustee Fawcett's comments and reiterated that the developer's preference is for the City of Toquerville to provide retail water service and for the project to be developed within the City's boundaries. He said that the developer has signed the annexation petition and submitted the required notice of intent, demonstrating its commitment to the annexation process.

Mr. Tilton stated that the previous concerns regarding impact fees had largely been addressed, with the understanding that the appropriate fees would be determined through the City's process. He also noted that the requested engineering information had been provided and that those issues were no longer the developer's primary concern.

Mr. Tilton explained that the remaining uncertainty relates to the annexation process and the potential impact of future legislative action affecting municipalities. Drawing on his experience as a former legislator, he noted that legislative changes could alter the City's ability or willingness to proceed with annexation, resulting in additional delays outside their control.

Mr. Tilton said that the request was to continue pursuing both the County and City processes simultaneously, as had been occurring for more than two years. He explained that the City later became better positioned to move forward with annexation. He said that the proposed agreement would allow retail water service through the County only, if necessary, with the understanding that once the property is annexed into the City of Toquerville, retail water service responsibility would transfer to the City.

Trustee Fawcett stated that his concern was that approving the request now would effectively commit the District to providing retail water service if annexation did not occur. He stated that he was not willing to make that commitment at this time and did not want the District to accept the retail service responsibility under those circumstances. Trustee Fawcett also said that he believes the District's primary function is to provide wholesale water service, not retail service, and expressed concern that the proposed development would represent a significant retail service commitment. He stated that approving a dual-path approach would effectively commit the District to becoming the retail provider if annexation did not occur, and he was not willing to make that commitment.

Trustee Staheli asked for clarification regarding the District's policy on providing water service to developments located in unincorporated areas outside municipal boundaries. He stated that he believed the District already had an established policy addressing development in those areas and asked staff to explain how it applied to the current request.

Mr. Renstrom explained that when a proposed development is located in an unincorporated area, the District first performs a preliminary engineering review before considering a will-serve letter. Staff evaluates whether the District has the infrastructure and capacity to provide service, including reviewing pressure zones, water demands, and the feasibility of extending service. He noted that developments located far from existing infrastructure may not be feasible without significant improvements. For developments within municipal boundaries, the District generally assumes the municipality has already completed its planning and review. Regarding the current proposal, he stated that the initial 74-lot concept was relatively straightforward because it was within an existing pressure zone and appeared feasible to serve. However, if the project were expanded to approximately 1,400 units, the District would require a much more detailed engineering analysis before determining whether service could be provided. He added that while the developer had begun some engineering work, the District had not yet reviewed sufficient information.

Trustee Staheli stated that the explanation was helpful and then asked whether the District also has a policy, from a philosophical standpoint, that encourages developers to first approach the applicable municipality and provide it with the opportunity to annex the property before seeking water service for development in an unincorporated area.

Mr. Renstrom clarified that while it is not a formal District policy, it is the District's longstanding practice to encourage developers to first work with the appropriate municipality regarding annexation. Mr. Renstrom explained that this approach is consistent with the District's role under the Regional Water Supply Agreement and added that although the District does provide some retail water service, it is limited and generally occurs only in specific circumstances.

Trustee Staheli commented that a development of approximately 1,400 units represented a significant increase in scale and would constitute a substantial expansion of the District's retail service role. He stated that, at this point, his preference would be to have a comprehensive engineering analysis completed to better understand the project's water demand and the District's ability to serve it before moving forward.

Mr. Tilton commented that they have already been submitted to the District.

Mr. Renstrom responded that he had not reviewed any recently submitted engineering analysis if one had been provided. He explained that such analyses are typically routed to him, but the staff member who normally receives them was not present. He said that the District had not completed its review because the expectation had been that the project would proceed through the City of Toquerville. He recalled reviewing an earlier study prepared by a different engineering firm some time ago.

Trustee Michele Randall asked whether any previously approved lots had been built. Trustee Iverson and Mr. Tilton both said that nothing has been built this far.

Trustee Randall stated that, from her perspective, the request felt similar to a situation where her grandchildren ask for two cookies and, after receiving permission, ask for five instead. She said the analogy reflected her concern that the request was expanding beyond what she was comfortable approving. She indicated that the Board could either table the item for further consideration or evaluate it differently, but stated that, as presented, her vote would be no.

Chairman Bowler asked the Mayor of Toquerville whether the City was comfortable with the proposed 1,400-unit development. After the Mayor confirmed that the City had no objection to that number of units, Chair Bowler acknowledged that, from the City's perspective, the issue of development density had been resolved.

Trustee Randall commented that she would be comfortable with the proposed development once it was annexed into the City of Toquerville, but she did not support moving the project forward through Washington County while it remained in the unincorporated area.

Trustee Rick Rosenberg asked who would be responsible for providing and maintaining public services, specifically road maintenance, if the development remained in the unincorporated county rather than being annexed into the City of Toquerville.

Trustee Iverson said that Washington County would maintain the roads if the development remained in the county, at the level provided for county-maintained roads. He noted that the County generally prefers larger subdivisions to be incorporated into an existing community rather than remain in unincorporated areas.

Trustee Iverson explained that if the City of Toquerville had been prepared to receive the development when the applicant initially approached the County, the County would have encouraged the developer to work through the City, as that would have been the preferred outcome. However, he acknowledged that the project has been under discussion for approximately two and a half to four years, and the County has some consideration for the time and effort already invested in the process.

Trustee Fawcett asked who would be responsible for maintaining the parks if the development remained in the unincorporated county.

Mr. Tilton responded that park maintenance would be addressed through the development agreement. He explained that the process would be the same whether the development was located within the City or the County, as the development would have a homeowner's association (HOA).

Trustee Fawcett questioned the long-term responsibility for maintaining parks through a homeowner's association (HOA). He expressed concern that, in some cases, HOAs eventually seek to transfer maintenance responsibilities to cities or counties because of the financial burden, creating future challenges for local governments.

Trustee Fawcett clarified that his concern was not intended as criticism, but rather that cities are structured to provide certain services, and when those services are not available in a development, residents may still utilize nearby city services without directly contributing to their costs. He said that this can place additional pressure on municipalities.

Trustee Fawcett said that his primary issue was the District taking on such a large retail water service commitment. He acknowledged that the District currently provides limited retail service in smaller isolated areas. However, expressed concern about expanding retail service to a 1,400-unit development. Trustee Fawcett suggested that a possible compromise could be to provide wholesale water service for the full development while limiting retail service to a smaller portion, such as 200 units, until the annexation or service arrangement issues were resolved.

Mr. Tilton stated that the proposed agreement was already structured similarly to what had been discussed, noting that the current agreement requires annual renewal for the 200-unit retail service allocation. He explained that the request before the Board was to continue what had previously been approved and amend the agreement to include a requirement that the developer continue working toward annexation with the City of Toquerville.

Mr. Tilton emphasized that the developer was not requesting anything new or different from what had previously been considered, but rather seeking clarity on what would occur if annexation efforts were unsuccessful. He said that the developer believes the annexation process will move forward but wanted an agreement in place addressing the possibility that circumstances outside their control could prevent annexation.

Mr. Tilton said that the developer has been working through the process at the City's request and stated that he agreed with many of the concerns raised by Board members. However, he explained that if annexation failed due to unforeseen circumstances, such as legislative changes or a decision by the City not to proceed, the developer could face significant delays and would potentially have to restart the entitlement process. He added that the financial impact of such delays is substantial, citing the carrying costs associated with approximately $20 million invested over a period of several years.

Trustee Fawcett said that in Hurricane there are already many developed lots available that have not yet sold, and he did not believe there was currently a shortage of available housing supply.

Mr. Tilton responded that the project has already had some lots pre-sold to builders for future home construction.
Trustee Fawcett clarified that the lots were not yet sold to individual homeowners. He said that the builders would still need to sell the homes and expressed concern that the current market conditions may not allow those homes to sell quickly.

Mr. Tilton responded that the development team involved with the project has a strong track record and is currently selling approximately 300 homes per year. He said that the group has experience successfully delivering housing projects and is confident in its ability to continue doing so.

Mr. Tilton said that the developer’s request was not seeking anything different from what had previously been considered. He said that the proposed agreement would include additional requirements intended to support the City of Toquerville’ s interests, particularly regarding continued efforts toward annexation.

Mr. Tilton explained that the developer’s primary need was certainty so they could communicate with builders and financial partners that the project could move forward and that lots could be delivered as committed. He said that builders are requesting available lots as soon as possible and that the developer needs clarity regarding the path forward.

Trustee Staheli asked Mr. Tilton to confirm whether the developer was seeking assurance from the Washington County Water Conservancy District that it would provide water service for all 1,400 units.

Mr. Tilton clarified that the developer was not seeking a guarantee that the District would immediately commit to serving all 1,400 units. He said that the request was to continue under the terms of the existing agreement, which requires the developer to return annually for approval of up to 200 units.

Mr. Tilton explained that Washington County requires a will-serve letter indicating that the project has a pathway to water service. He said that the City of Toquerville is already addressing water service provisions through the development agreement, but the remaining question relates to the pre-annexation agreement and the completion of the annexation process.

Mr. Tilton said that the developer was not requesting anything new or different from what had previously been considered and committed to returning annually to provide updates on the project's progress, including the number of lots sold.

Mr. Tilton also said that the developer's primary request was certainty that there is a path forward, as the project currently has unresolved questions with both the City and County. He said that there is demonstrated demand for housing, with builders requesting lots due to the project's pricing and anticipated affordability for future homeowners.

Mayor Catlin said that his understanding was that if the City of Toquerville ultimately decided it did not want the development, the project would proceed through Washington County instead.

Mayor Catlin expressed concern that, if the City and developer are actively pursuing annexation, the developer should not have the option to move forward outside the City simply because the process takes additional time. He said that if the City continues to support the project and is working toward annexation, the project should remain with the City. He added that if circumstances outside the City's control prevent annexation, or if the City determines it can no longer proceed due to financial or other constraints, the project could potentially return to the County process. He said that the District would ultimately need to determine how water service would be handled in that situation.

Mayor Catlin said that he believes the development will likely move forward in some form and expressed the view that, if a significant issue prevented annexation, the District may ultimately still be involved in providing water service.

Trustee Staheli stated that, based on his experience throughout the County, he believes development is best served when it occurs within municipal boundaries. He acknowledged that land in unincorporated areas is often less expensive, but noted that this can create additional complications, as demonstrated by the current discussion.

Trustee Staheli suggested that establishing a timeline or "shot clock" for completing the remaining steps could help move the process forward. He stated that he appreciated Mayor Catlin's comments regarding the City's interest in the project. Trustee Staheli said he also appreciated General Manager Zach Renstrom's comments regarding the need for an engineering analysis.

Trustee Staheli acknowledged the importance of addressing housing needs and stated that providing incremental lots is reasonable; however, he expressed concern that allowing the developer to simply transition to a County development process could put the City of Toquerville at a disadvantage after investing time and effort into the annexation process.

Trustee Staheli recommends that District staff complete a professional review of the necessary engineering analyses while the annexation process continues with the City. He suggested that the matter be brought back to the Board once those items are complete.

Trustee Staheli stated that whether the Board chose to table or deny the request, he believed a timeline needed to be established to prevent the project from remaining unresolved indefinitely. He said that he believes both the developer and the City were moving forward in good faith, but that a clear path forward was needed.

Trustee Staheli concluded that he agreed with Trustee Fawcett that development is best handled within municipal boundaries.

Todd Sands, a member of the Toquerville City Council, provided additional perspective on the annexation negotiations and disagreed with some of the developer's characterization of the City's role in the process.

Mr. Sands explained that the developer had appeared before the City Council, and the City approved the pre-annexation agreement, and the development agreement, with modifications. The City Council's conditions included reducing nightly rentals to 100 units and requiring payment of applicable city impact fees.

Mr. Sands said that after the meeting, the developer was dissatisfied with those conditions and took additional time to respond. He said that the developer's attorney submitted a 27-page letter/legal analysis challenging the City's position on impact fees. The City's attorney and an outside legal firm reviewed the issue before discussions continued. During those discussions, the developer ultimately modified its position and agreed to accept the limit of 100 nightly rentals, pay applicable city impact fees, and continue moving forward with the annexation process.

Mr. Sands disagreed with the suggestion that Toquerville has delayed or slowed the annexation process. He said that the City has been working diligently to complete the process and that any delay was primarily caused by negotiations regarding the developer's requested changes, particularly the impact fee issue.

Trustee Iverson clarified his previous comments, stating that his concerns were not directed at the current efforts of the City of Toquerville. He explained that his comments referred to the earlier stages of the process, prior to the last six months, when the City had not yet been actively moving the annexation process forward.

Trustee Iverson acknowledged that Toquerville City has worked diligently over the past six months and that there have been significant discussions and progress.

Mr. Tilton said that some of the concerns raised were valid from the developer's perspective, explaining that the company wanted to have clarity regarding its obligations under the development agreement. He said that an amendment to the development agreement removed the previous section addressing impact fees, which required the developer to conduct additional analysis to determine which impact fees would apply and how they would be calculated. Mr. Tilton explained that, because the prior structure was removed during that meeting, the developer had to evaluate the impact fees on an individual basis and provide additional analysis. He said that, ultimately, the developer agrees that the process should move forward according to the applicable requirements.

Mr. Tilton said that there is currently legislative review regarding how municipalities allocate and use impact fees, which is outside the control of both the developer and the City. Mr. Tilton stated that the developer will follow the process and pay whatever impact fees are ultimately required by the City through that process.

Trustee Staheli prefaced his motion by stating that he was uncertain what the Board's position was regarding the District becoming a retail water provider for the development of approximately 1,400 units. He acknowledged that there is a need for the housing product the developer is proposing and stated that he understood the urgency of the request. He also expressed that he believed the developer, the City of Toquerville, and Washington County were all working in good faith.

> ***Trustee Kress Staheli made a motion to deny the developer's request at this time while allowing additional engineering analysis to be submitted to District staff for review, allowing the developer to continue working with the City of Toquerville and/or Washington County and seek additional clarity regarding the project's final zoning designation and the resulting actual water demand, the motion was seconded by Trustee Michele Randall and all voted aye***

<u>Consider approval of the annexation of Angell Springs Water System</u>

Staff Engineer Whit Bundy explained that he was presenting with Riley Vane, an engineer from Jones & DeMille Engineering. Mr, Bundy stated that several months earlier, Washington County requested that the District evaluate the feasibility of connecting the Angell Springs water system to the District's existing water system due to ongoing challenges with the Angell Springs system.

To complete that evaluation, the District contracted with Jones & DeMille Engineering to conduct a feasibility study.

Mr. Bundy provided an overview of the Angell Springs Special Service District, noting that it currently has:

- 89 active water connections
- 27 standby connections that are paying standby fees
- 9 allotments, which function as additional water connections on existing parcels

Mr. Bundy explained that the Angell Springs system currently has two functional springs that produce approximately 30 gallons per minute, which are sufficient to meet current demand. However, there are concerns about whether the springs can meet peak summer water demands.

He said that the system also has one well, but it is not currently in service because it exceeds the maximum contaminant level for radium and would require treatment before it could be used for drinking water.

The system includes two drinking water storage tanks with capacities of 200,000 gallons and 125,000 gallons.
The system is experiencing water pressure issues due in part to distribution system limitations and inadequate looping. Several homes near one of the storage tanks—approximately six or seven—currently rely on individual booster pumps to maintain adequate pressure.

Mr. Bundy explained that the distribution system consists of Class C PVC pipe, which has a lower pressure rating than the type of pipe the District typically installs. The system is just over 30 years old.

The feasibility study evaluated two alternatives:

1. Continue operating the existing Angell Springs system. This option would require:

    - Installing treatment for the existing well to reduce radium to acceptable drinking water standards.
    - Constructing additional looping within the distribution system to improve water pressure, although it would not eliminate all pressure issues.

2. Connect Angell Springs to the District's Cottam Wells water system. This alternative would require:

    - Constructing a pipeline connection by boring beneath Interstate 15.
    - Connecting to the District's 24-inch ductile iron pipeline along Leeds Main Street.
    - Because the system would operate within the District's pressure zone supplied by the Cottam Wells tanks, water pressures would improve. However, the higher operating pressures would require replacement of the existing Angell Springs distribution system, as the current Class C PVC pipe is not rated for those pressures.

Mr. Bundy reviewed the financial condition of the Angell Springs Special Service District. He said that the district has approximately $300,000 in cash assets and owns just over two acres of property, most of which is associated with existing infrastructure, including tanks, wells, and springs.

Regarding liabilities, he explained that Jones & DeMille Engineering estimated the cost of replacing the distribution system and constructing the connection to the District's system at just under $3.7 million. He also said that Angell Springs has an outstanding engineering balance of approximately $105,000, along with an obligation related to water standby fees totaling just over $400,000.

Zach Renstrom said that the Utah Division of Drinking Water, together with Washington County, approached the District regarding the Angell Springs water system. He explained that Angell Springs had already worked with Jones & DeMille Engineering to evaluate options for treating the existing well water, but significant issues with the aging distribution system remained.

Because of those ongoing concerns, the Division of Drinking Water asked the District to evaluate the possibility of taking over the system. Washington County also requested that the District look into the issue.

Mr. Renstrom explained that staff had completed an initial analysis but intentionally brought the matter to the Board before negotiating agreements or advancing the project further. He said he did not want staff to spend significant time developing contracts or committing to a particular course of action without first receiving policy direction from the Board.

Mr. Renstrom said that assuming responsibility for the Angell Springs system could involve approximately $4 million in liabilities. Therefore, if the Board wishes to pursue the project, staff will begin working with the Division of Drinking Water to seek funding assistance and will start negotiating a potential agreement.

Chairman Ed Bowler asked about the likelihood of receiving financial assistance from the State if the District were to take over the Angell Springs system.

Mr. Renstrom said that the funding includes approximately a $500,000 grant and a $500,000 zero-interest loan.

Tony Hundal with Angell Springs commented that the grant is only for radium treatment.

Mr. Renstrom explained that the state has indicated funding may be available.

Chairman Bowler asked why, if Angell Springs has a failing water system and wants to become part of the District, the District would not simply charge an impact fee for the new connections rather than spending significant money to rehabilitate the existing system.

Chairman Bowler said the value of treating the existing well that contains radium, would likely be very expensive.

Mr. Renstrom responded that the primary cost is not the radium treatment, but the condition of the existing distribution system. He explained that Angell Springs owns water rights, and as part of any potential agreement, the District could negotiate to have those water rights transferred and incorporated into the District's Cottam Wells system.

Mr. Renstrom said that the major expense is replacing the existing water distribution pipes. He explained that the current system is constructed with lower-pressure-rated pipe, and if it were connected to the District's higher-pressure system, the existing pipelines would likely fail, resulting in frequent breaks. For that reason, the distribution system would need to be replaced to safely operate under the District's pressure standards.

Mr. Renstrom compared the situation to the Homespun development, located just north of the area, which the District previously assumed responsibility for. He explained that when the District takes over an existing water system, it is committed to providing a reliable water supply that meets District standards. He said that, in the case of Homespun, the District ultimately invested hundreds of thousands of dollars to bring the system up to District standards, and he indicated that the Angell Springs system would likely require a similar approach.

Chairman Bowler asked whether the estimated $4 million cost represented the expense of replacing the distribution piping and completing the other necessary improvements.

Mr. Renstrom responded that the estimated $4 million project cost includes constructing the new pipeline connection by boring beneath Interstate 15, replacing the entire existing distribution system, installing new water meters, including the District's Advanced Metering Infrastructure (AMI) meters, and upgrading the system so it meets the District's current engineering and operational standards.

Riley Vane explained that there is an existing funding package of approximately $1.7 million, structured with roughly a 50/50 split between a loan and principal forgiveness.

Mr. Vane clarified that the funding was specifically intended for radium treatment, which would likely account for the majority of the cost, along with some additional improvements such as minor looping projects and valve-related repairs to address ongoing operational issues within the system.

Chairman Bowler said that radium treatment is not a one-time improvement but rather requires a continuing treatment system and ongoing operation

Mr. Vane responded that there are two primary treatment technologies available, but the proposed option is a filtered media treatment system. Because there is no sewer system available in either Leeds or Angell Springs, any discharge from a different type of treatment process would have to go to a septic system, which is not acceptable for radium treatment due to regulatory concerns.

The filtered media system removes radium through specialized filter material. Once the media is exhausted, it is removed and transported to an appropriate landfill for disposal.

Mr. Vane said that this is the same treatment system used in Corinne, Utah, several years ago. Based on discussions with Corinne’s water operators, the system has performed better than expected from an operational standpoint and appears to be a reliable and effective solution.

Mr. Vane also said that the Division of Drinking Water is familiar with this technology.

Trustee Fawcett asked who would be responsible for operating the Angell Springs system if the project moves forward. He questioned whether the District would operate and manage the system after improvements were completed, particularly given the potential concerns about becoming a retail water provider.

Trustee Fawcett also stated that if Angell Springs remained a special service district, it could continue serving as the retail provider, including handling billing, collecting fees, and managing the customer relationship. He asked how the costs of the improvements would be recovered over time, given the relatively small number of users in the system. Trustee Fawcett also raised concerns about the ongoing cost of radium treatment, asking how much the treatment process would add to operating expenses and how significantly it could increase water rates for Angell Springs customers.

Mr. Vane explained that the ongoing cost of the radium treatment system was included in the feasibility study. He said that the replacement cost of the treatment is a known expense and was incorporated into the analysis. Based on current estimates, the replacement cost is approximately $170,000, with replacement expected to occur about every five to ten years.

Trustee Staheli asked for clarification on the status of the Angell Springs system. He confirmed his understanding that the Angell Springs system, located north of I-15 in Leeds, currently serves 89 existing users/connections, 27 standbys and 9 allotments.

Mr. Hundal explained how the Angell Springs allotment system works and how water rights are associated with properties. When a person purchases a home or property in the Hidden Valley area, the property may come with a certain number of water allotments. He stated that when he purchased his home, he was sold two allotments, meaning he purchased the associated water rights. He explained that, according to the special service district's evaluation, each allotment currently has a value of approximately $12,000, regardless of whether it is an active allotment or a standby allotment. The difference between the two is the monthly fee paid by the owner. An active allotment is $65 per month and a standby allotment is $30 per month.

Mr. Hundal explained by using his own property as an example. He stated that he has two active allotments and pays $130 per month. Each active allotment provides an allocation of 20,000 gallons of water per month without the user entering the higher-cost tiered rate structure for additional usage.

Trustee Staheli said that, based on his understanding, there are currently 89 property owners and approximately $4 million in rehabilitation costs, which equates to roughly $45,000 per home. He asked why it should be the responsibility of the District or the State to fund the rehabilitation of the system.

Mr. Renstrom responded that Angell Springs is located within Washington County, and the District regularly works with the County on water-related issues. He explained that this specific evaluation originated from a request by the Division of Drinking Water for the District to investigate potential solutions. He said that the State has already expressed frustration with the situation because it is considering providing more than $1 million in financial assistance to address the system's issues. The State's involvement is part of the reason the matter was elevated for further consideration.

Mr. Renstrom explained that he presented the issue to the Board to determine how far staff should proceed with evaluating a potential takeover or partnership. He wanted Board direction before spending significant additional time on negotiations and planning, given that pursuing the project could ultimately require the District to assume a substantial financial obligation.

Trustee Iverson said that the situation is similar to the challenges the District faced with Apple Valley, where the District previously worked with the State and constructed a connection line to address ongoing system issues. He said that small water systems often struggle over time because they do not have the economies of scale needed to keep up with increasing operational, maintenance, and regulatory costs. He noted that this is one reason the County has recently encouraged new systems to come under the District's management rather than creating additional small standalone systems.

Trustee Iverson said he believes Angell Springs has done a good job maintaining its system and operating successfully for many years. However, as the infrastructure has aged and issues such as radium contamination have emerged, the system is facing challenges that may become increasingly difficult for a small provider to manage independently.

Mr. Renstrom said that Utah's current policy is to encourage the regionalization of small water systems because the State is spending significant resources helping smaller systems address long-term operational and regulatory challenges. He said the goal is to transition smaller systems into larger regional systems or into municipal providers where appropriate, creating more sustainable water service over time.

Mr. Renstrom also said that he would be willing to return to the State and communicate that the District would only consider taking on the Angell Springs system if the State provided meaningful financial assistance toward the project.

Mr. Renstrom said that the District is often accused of trying to acquire water rights or take over smaller systems, and he wanted the Board's position to be clear that the District would not initiate a takeover on its own.

Mr. Renstrom emphasized that the District would only move forward with assuming responsibility for a system if the users themselves requested the transition or approved it through a vote or other appropriate process. He stated that any decision would be driven by the needs and wishes of the system's customers, not by the District seeking to take over the system.

Trustee Staheli said that he agreed the District has a responsibility to evaluate water service issues and that this is part of why the District encourages development to work through cities when possible. However, he questioned whether the financial responsibility for replacing aging infrastructure should fall on the District, the State, or the individual system users.

Trustee Staheli said that the property owners within Angell Springs have benefited from the water system for many years and should have some responsibility for addressing the costs associated with replacing aging infrastructure. He suggested that the Special Service District users may need to consider a special assessment or other funding mechanism to cover costs not paid by the State.

Trustee Staheli questioned whether it would be appropriate for the District or other taxpayers to absorb costs such as the approximately $400,000-plus reimbursement obligation related to standby fees, particularly for a system that has been operating for decades. He emphasized that while the District may have the ability and responsibility to help find a solution, he believes the larger question is who should pay for the improvements. In his view, financial responsibility should primarily remain with the owners and users of the Angell Springs Special Service District rather than being transferred to taxpayers.

Diane Hundal introduced herself as the Treasurer for Angell Springs and provided additional background on how the feasibility study began. Ms. Hundal explained that Angell Springs did not initially seek District involvement but had been working to address its own system challenges. She asked Riley Vane to provide additional background on the steps Angell Springs had taken before Washington County and the State became involved.

Ms. Hundal said that Angell Springs hired Riley and began evaluating solutions after the State informed them that the system did not have sufficient water capacity during peak demand periods. She said that Riley and the Angell Springs Board Chair worked together to identify potential solutions and that the Special Service District was actively trying to resolve its own issues.

Mr. Vane explained the steps Angell Springs had taken to address its system challenges before the District became involved. Mr. Vane stated that the proposed improvements related to radium treatment, water looping, and other system upgrades were already identified in the Angell Springs master plan. These were known issues that the system had been planning to address. He explained that Angell Springs followed the normal process of seeking funding through the Division of Drinking Water's State Revolving Fund (SRF) program. As part of those discussions, the Division of Drinking Water requested that Angell Springs also evaluate the possibility of regionalization of the system.

Mr. Vane stated that those regionalization discussions occurred, but the Angell Springs Board President at the time had additional conversations and ultimately directed staff not to pursue that option. As a result, Angell Springs continued moving forward with its own improvement plan.

Mr. Vane said that Angell Springs currently has a $1.45 million funding package consisting of a combination of grant funding and a loan, with approximately a 37% grant-to-loan ratio, specifically for the radium treatment project. He explained that the radium treatment project has been fully designed but has not yet received final permitting approval from the Division of Drinking Water. The project was at that stage when the request to evaluate regionalization was brought forward, which is why the District is now being asked to consider beginning that process.

Trustee Fawcett asked if the State had already reviewed Angell Springs' improvement plan before recommending that regionalization be considered.

Mr. Vane replied that the Division of Drinking Water had supported the radium treatment project funding, so the State was aware of and expected Angell Springs to proceed with that improvement plan. He stated that, over the past several months, representatives from the State have been in frequent contact with him asking about the District's direction and next steps. Mr. Vane said that the State has indicated that the current funding availability is not permanent and that the opportunity may not remain open indefinitely. Mr. Vane said that the State has communicated that if Angell Springs does not move forward with a decision, the existing funding package could potentially be withdrawn or canceled. Mr. Vane stated that this uncertainty is likely one of the reasons there is urgency to either pursue regionalization or continue with the current improvement path.

Chairman Bowler commented that one of the challenges with small water systems is that they must maintain a financial return and sustainability while also complying with increasing State regulations. He said that many small water companies did not anticipate the level of regulatory requirements that have developed over time. As new rules and standards are implemented, the cost of compliance increases, which often results in continually increasing water rates for customers.

Chairman Bowler stated that, in his opinion, the State should provide additional financial assistance because many of these requirements are mandates imposed without dedicated funding. He noted that the State is identifying compliance issues based on regulations it has established and therefore should help support the costs associated with meeting those requirements. He said he was comfortable moving forward with exploring the Angell Springs option but emphasized that the State should be a significant partner in funding the solution.

Mr. Handal said that, based on his understanding, the request for the District to evaluate the system did not originate directly from Division of Drinking Water, but instead came from the Washington County Commissioners.

Mr. Renstrom clarified that the District's involvement came from the director of Division of Drinking Water.

Mr. Renstrom stated that he would be comfortable continuing to evaluate the option under two specific conditions. First, State financial participation. If the State is requesting or encouraging the District to take on the system, then the State should provide the necessary funding support for the transition and improvements. Second, approval from Angell Springs users. The current users of the Angell Springs system should make the decision to move forward through an appropriate vote or approval process.
Mr. Renstrom emphasized that the District should not pursue taking over the system unless the existing customers support and request that action.

Trustee Fawcett stated that regardless of whether funding comes from the State through a grant, low-interest loan, or another source, he believes the Angell Springs users should contribute toward the cost of the improvements. He suggested that users could repay their portion through water rates over time or another financing mechanism. Trustee Fawcett expressed concern that a $4 million project cost would be difficult to fully recover and stated that there should be some level of investment from the existing users who benefit from the system.

Trustee Staheli stated that he agrees the Angell Springs property owners should have “skin in the game” and contribute toward the cost of improvements. He also noted that the system should be held to the same water service and infrastructure standards used throughout the rest of the county. He expressed the view that if the users want their infrastructure upgraded, system pressures improved, and water treated to current regulatory standards, there needs to be both a financial contribution from the users and clear parameters regarding future water use. Trustee Staheli acknowledged that these requirements may be significant, but emphasized the importance of reliable water service, stating that without water service to a home, the home itself is not viable. He clarified that these comments were not necessarily part of a formal motion but represented his direction and expectations as one Board member regarding any future consideration of the Angell Springs system.

> ***Trustee Victor Iverson made a motion to support a preliminary agreement contingent upon an approving vote of Angell Springs Special Service District members for the District to annex their water system, Trustee Clark Fawcett amended the motion to ask staff to do a thorough study of what was discussed, the motion was seconded by Trustee Rick Rosenberg and all voted aye. Trustee Kress Staheli voted nay.***

Consider approval of construction agreement for the La Verkin Pond and Pipeline Project

Reuse Project Manager Trinity Stout presented the construction contract for the La Verkin Pond and Pipeline Project, which is a key component of the District's East Side Reuse System.

Mr. Stout explained that the project will convey reclaimed water from the newly completed Confluence Park Water Reclamation Facility to a new storage pond in La Verkin, with the long-term goal of pumping the reclaimed water to Chief Toquer Reservoir for storage and future use.

Mr. Stout explained that the project consists of three integrated components:

- La Verkin Pond – Construction of a 7.1-million-gallon lined pressure-regulating pond in La Verkin. The pond will receive both Type I reclaimed water and La Verkin's Virgin River diversion water, allowing sediment to settle before the water is conveyed through the system.
- Confluence Park Water Reclamation Facility to La Verkin Pond Pipeline – Installation of approximately 6,300 linear feet of 18-inch ductile iron pipeline connecting the reuse pump station at Confluence Park to the new pond.
- La Verkin Secondary System Improvement Project – Construction of a new pump station and associated distribution pipelines to improve the city's secondary irrigation system.

Mr. Stout said that the District advertised the project and received seven bids. After reviewing the proposals and verifying the bid calculations, Whitaker Construction was determined to be the lowest responsive bidder with a bid of just under $12.5 million. He said that the bid was within the District's budget for all three project components.

Trustee Victor Iverson made a motion to approve the construction agreement with Whitaker Construction for the La Verkin Pond and Pipeline Project for $12,488,518.50, the motion was seconded by Trustee Kress Staheli and all voted aye.

Consider approval of Construction Manager/General Contractor agreement for the AWP Demonstration Facility and Conservation Garden Project

Trinity Stout presented a proposed Construction Manager/General Contractor (CMGC) agreement for the Advanced Water Purification (AWP) Demonstration Facility and Conservation Garden project in La Verkin. The project will be located on recently acquired property at the corner of State Street and 740 North.

Mr. Stout explained that the project includes construction of a demonstration facility, installation of advanced water purification demonstration equipment, development of a conservation garden showcasing water-wise landscaping, and acquisition of a portable demonstration trailer to support public outreach at community events. The facility will provide educational opportunities for the public to learn about advanced water purification and potable reuse, including the potential for purified water taste testing following state permitting.

Mr. Stout said that significant project planning has already been completed, including a preliminary design report by Method Studio, a basis of design report by Stantec that is more than 50 percent complete, land acquisition, and geotechnical investigations. He said the District is now seeking to engage a CMGC to provide pre-construction services, improve cost and schedule certainty, assist with procurement of the demonstration equipment, and develop a Guaranteed Maximum Price (GMP). The Board will have the opportunity to review and approve the GMP before authorizing construction.

Mr. Stout said there was a request for proposal and the district received nine submissions, a selection committee consisting of District staff, Stantec representatives, and Ash Creek Special Service District representatives evaluated the proposals and selected Mahas Construction as the preferred CMGC. Mr. Stout reviewed the proposed fee structure, including $6,000 for pre-construction services, a construction supervision fee of approximately $5,300 per month during the estimated 15-month construction period (approximately $240,000 total), a 5 percent construction management fee, and a 1 percent GMP for performance bonds and insurance.

Trustee Rick Rosenberg made a motion to approve the agreement for construction manager general contractor services with Mahas Construction as described, the motion was seconded by Trustee Clark Fawcett and all voted aye

Manager's report

General Manager Zach Renstrom provided an update on the water supply issues in Apple Valley. He explained that the community's primary drinking water aquifer has gone dry. Apple Valley relies on two aquifers: one that provides high-quality drinking water and another with poor water quality. He said there is ongoing discussion about the causes, but a deeper agricultural well began pumping heavily from the high-quality aquifer, contributing to the decline in water available to the city's wells.

Mr. Renstrom said the U.S. Geological Survey (USGS) has determined the aquifer recharges very slowly and has been further impacted by two consecutive dry winters. The District's role has been limited to providing technical assistance and helping Apple Valley connect with appropriate agencies, as there is little the District can do operationally. He also said that Congresswoman Celeste Malloy's office is assisting with efforts to secure funding, while State Engineer Teresa Wilhelmsen is leading a detailed review of water rights and groundwater pumping in the area.

Mr. Renstrom commended Corey Cram for providing valuable technical support throughout the process. Mr. Renstrom said that the agricultural well has been shut off, allowing some recovery in the city's wells. Minor improvements have also been made to increase well production, but he cautioned that if the agricultural well resumes pumping, the city's wells could quickly experience the same shortages again.

Mr. Renstrom then provided an update on the Advanced Metering Infrastructure (AMI) program. He reported that Hurricane has completed installation of AMI meters, Washington and Santa Clara are nearly complete, St. George is well underway, and Ivins City has begun full implementation. Once complete, the District will be the first in Utah to have AMI technology installed across all culinary water meters within its service area. The District plans to launch a public outreach campaign encouraging customers to use the accompanying mobile app to monitor their water use. Early results have shown the technology is effective at identifying leaks and helping customers conserve water.

Mr. Renstrom provided an update on the Ultra Water Efficient Standards program. He explained that the voluntary program allows developers to apply for incentives when cities adopt qualifying water-efficiency standards. He said that home builders have been supportive of the program and the cities of Santa Clara, Ivins, Washington, and Toquerville had officially adopted the standards, while the remaining communities were progressing toward adoption.

Chairman Ed Bowler asked if there are any public comments.

Laurie Hamblin asked for additional information about the plans for Ash Creek Reservoir. She explained that her property borders Ash Creek and that Corey Cram had recently been on her property. She asked what construction was planned, how long the work would take, and requested more specifics about the planned activities affecting her property.

Corey Cram explained that Ash Creek Reservoir is connected to the Toquerville system and is used to capture water and convey it through the pipeline to Chief Toquer Reservoir. Although the reservoir continues to serve this function, deficiencies have been identified with the dam. The District has obtained a grant to conduct additional geotechnical and engineering evaluations of the dam, including its abutments and overall structural condition. As part of that effort, staff met with Hamblin's because the District would like to install a borehole on their property to gather subsurface information needed for the evaluation.

Mr. Cram emphasized that the purpose of the current work is to assess the reservoir's condition and determine what improvements would be necessary to address the identified deficiencies.

Request a closed session to discuss purchase of real property

Chair Ed Bowler noted that two-thirds of the District board members are present and stated the purpose of the closed session is to discuss the purchase of real property. Mr. Bowler said that the closed session is held at Washington County Water Conservancy District office building 533 E Waterworks Drive, St. George Utah on July 6 2026.

> ***Trustee Victor Iverson made a motion to go into a closed session to discuss the purchase of real property the motion was seconded by Trustee Clark Fawcett and a roll call vote was taken as follows:***

Ed Bowler	***Yes***
Rick Rosenberg	***Yes***
Clark Fawcett	***Yes***
Michele Randall	***Yes***
Victor Iverson	***Yes***
Kress Staheli	***Yes***

(Return to open session) Consider approval of purchase of real property

> ***Trustee Kress Staheli made a motion to approve the property acquisitions as discussed in closed session, the motion was seconded by Trustee Victor Iverson, and all voted aye.***

Consider approval of June 8, 2026 board meeting minutes

> ***Trustee Victor Iverson made a motion to approve the June 8, 2026 board meeting minutes, the motion was seconded by Trustee Rick Rosenberg, and all voted aye.***

The meeting was adjourned upon motion.

Mindy Mees
Secretary

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
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Other Supplementary Information:

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FINANCIAL SECTION

Independent Auditors' Report

Board of Trustees
Washington County Water
Conservancy District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squire & Company, PC

Squire & Company, PC
St. George, Utah
June 30, 2026

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WASHINGTON COUNTY WATER CONSERVANCY DISTRICT

Management's Discussion and Analysis

December 31, 2025

This section of Washington County Water Conservancy District's report presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

Financial highlights

- During the year, the District's total net position increased by $89,507,645 (13.9%).
- The District's total assets and deferred outflows of resources increased by $94,066,207 (13.0%).
- The District's total liabilities and deferred inflows of resources increased by $4,558,563 (5.69%).
- The District's program revenue decreased by $2,490,167 (-3.3%).
- The District's general revenue increased by $1,466,748 (4.2%).
- The District's total expenses decreased by $8,590,057 (-28.9%).

Overview of the financial statements

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

Government-wide financial statements

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

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

Fund financial statements

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

Governmental funds

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

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

- **General Fund:** The General Fund is the operating fund of the District. Revenues from tax collections are received into this fund. Expenditures include administrative costs. Fund transfers are made from the General Fund to the other funds of the District.

- **Capital Projects Fund:** The Capital Projects Fund administers payments for construction and improvement of capital facilities. Revenue from impact fees are received into the Capital Projects Fund. Funds are also transferred into this fund from the General Fund.

- **Special Revenue Fund:** The Special Revenue Fund receives federal and state funds used for the maintenance and operation of the Virgin River Resource Management and Recovery Program (Virgin River Program). The funding for the projects accounted for in this fund is partially federal and partially state funding. The District’s portion of maintenance and operation of the Virgin River Program is accounted for in the proprietary fund.

Proprietary funds

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

Notes to the financial statements

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

Other information

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

Government-wide financial analysis

Net position may serve over time as a useful indicator of a government's financial position. The District's total assets and deferred outflows exceeded liabilities and deferred inflows by $733,519,603 at the close of the most recent fiscal year.

The following is a summary of the District's net position as of December 31, 2025 and 2024:

	Governmental activities		Business-type activities		Combined Total	
	12/31/2025	12/31/2024	12/31/2025	12/31/2024	12/31/2025	12/31/2024
Current and other assets	$ 222,423,969	$ 263,221,931	$ 143,326,335	$ 135,542,523	$ 365,750,304	$ 398,764,454
Capital assets	258,799,980	150,903,070	192,057,532	173,011,810	450,857,512	323,914,880
Total assets	481,223,949	414,125,001	335,383,867	308,554,333	816,607,816	722,679,334
Deferred outflows of resources	930,847	889,468	608,160	511,814	1,539,007	1,401,282
Long-term liabilities outstanding	1,045,435	781,007	57,035,714	59,589,265	58,081,149	60,370,272
Other liabilities	15,419,987	7,501,582	3,862,359	4,338,270	19,282,346	11,839,852
Total liabilities	16,465,422	8,282,589	60,898,073	63,927,535	77,363,495	72,210,124
Deferred inflows of resources	354,074	330,976	6,909,651	7,527,557	7,263,725	7,858,533
Net position:						
Net investment in capital assets	258,800,014	150,903,070	129,396,861	107,148,088	388,196,875	258,051,158
Restricted	205,434,645	254,176,372	97,268,709	48,929,775	302,703,354	303,106,147
Unrestricted	1,100,641	1,321,462	41,518,733	81,533,192	42,619,374	82,854,654
Total net position	$ 465,335,300	$ 406,400,904	$ 268,184,303	$ 237,611,055	$ 733,519,603	$ 644,011,959

A large portion of the District's net position (52.9%) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment, net of accumulated depreciation), less any related debt (general obligation bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding.

An additional portion of the District's net position (41.3%) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for capital projects and debt service reserve accounts.

An additional portion of the District's net position (5.8%) is unrestricted and will be used to meet the District's obligations to county residents, employees, and creditors.

Changes in net position for the fiscal years ended December 31, 2025 and 2024 are outlined below:

	Governmental activities		Business-type activities		Combined Total	
	12/31/2025	12/31/2024	12/31/2025	12/31/2024	12/31/2025	12/31/2024
Revenues:						
Program revenues:						
Charges for services	$ 4,298,418	$ 4,110,266	$ 22,345,119	$ 19,179,687	$ 26,643,537	$ 23,289,953
Operating grants and contributions	3,174,942	2,761,416	-	-	3,174,942	2,761,416
Capital grants and contributions	41,174,185	47,500,665	3,074,953	3,005,750	44,249,138	50,506,415
General revenues:						
Taxes	17,869,153	17,008,870	-	-	17,869,153	17,008,870
Interest earnings	12,929,631	12,769,208	5,342,784	4,985,003	18,272,415	17,754,211
Other revenue/(expense)	94,892	(186,985)	296,188	489,804	391,080	302,819
Total revenues	79,541,221	83,963,440	31,059,044	27,660,244	110,600,265	111,623,684
Expenses:						
General government	2,396,205	12,536,834	-	-	2,396,205	12,536,834
Water and power utilities	-	-	18,696,415	17,145,843	18,696,415	17,145,843
Total expenses	2,396,205	12,536,834	18,696,415	17,145,843	21,092,620	29,682,677
Increase (Decrease) in net position before transfers	77,145,016	71,426,606	12,362,629	10,514,401	89,507,645	81,941,007
Transfers	(18,210,620)	(1,367,906)	18,210,620	1,367,906	-	-
Increase in net position	58,934,396	70,058,700	30,573,249	11,882,307	89,507,645	81,941,007
Net position, beginning	406,400,904	336,342,204	237,611,054	225,728,748	644,011,958	562,070,952
Net position, ending	$ 465,335,300	$ 406,400,904	$ 268,184,303	$ 237,611,055	$ 733,519,603	$ 644,011,959

Total net position increased by $89,507,645 (13.9%) for the year ended December 31, 2025. Key elements of this increase are as follows:

- Capital grants and contributions revenue decreased by $6,257,277 (-12.4%).
- Operating grants and contributions increased by $413,526 (15.0%). Funds were received from federal and state sources used to fund the Virgin River Program. Grant funds are also received for water conservation programs and other projects.
- Interest earnings increased $518,204 (2.9%) due to changes in interest rates and investment balances.
- Total charges for services in both governmental activities and business-type activities increased $3,353,585 (14.4%). Charges for services were for water and power sales, water development fees, connection fees and other revenue.
- Property taxes increased $860,283 (5.1%).
- Expenses of governmental and business type activities decreased in total compared to prior year. General government expenses decreased by $10,140,629 (-80.9%), but business type activities expenses increased by $1,550,572 (9.0%).

Financial analysis of the District's funds

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

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of $206,657,829 compared to $255,392,731 in the prior year. Approximately 1.6% of this total amount, or $1,172,644, constitutes unassigned fund balance which is available for spending. $50,871 represents prepaid or non-spendable amounts, and the remaining $205,434,314 of fund balance is restricted and assigned for future projects and uses.

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

General Fund budgetary highlights

The final appropriations for the General Fund at year-end increased the fund balance by $13,961,904 to a fund balance of $71,986,012. Actual revenues of the General Fund were greater than budgeted revenues by $4,899,128. Actual expenditures were $2,421,200 less than budgeted expenditures, which was primarily the result of spending less than expected on services, and personnel and related expenditures.

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Capital assets and debt administration

Capital assets

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

Capital assets, net of depreciation at December 31, 2025 and 2024 are outlined below:

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Land & water rights	$ 97,156,004	$ 58,162,575	$ 13,596,092	$ 13,596,092
Buildings, improvements, furniture & fixtures	10,750,778	9,561,267	-	-
Infrastructure	-	-	283,110,135	258,402,713
Equipment	368,332	368,332	2,232,618	2,181,365
Vehicles	808,826	819,583	1,995,166	1,801,287
Right-of-use easments	-	-	43,404	42,396
Projects in progress	154,309,845	86,214,315	1,653,771	865,175
Accumulated Depreciation	(4,593,788)	(4,223,003)	(110,573,652)	(103,877,217)
Total Capital Assets, Net	$ 258,799,997	$ 150,903,069	$ 192,057,534	$ 173,011,811

The District began and completed various projects during 2025 and 2024. Highlights of projects completed in 2025 with corresponding total cost are as follows:

- Hwy 91 to Virgin Pipeline (R&R): $1,769,575.65
- Kolob Reservoir Dam Spillway Replacement: $1,298,998.96
- Sand Hollow Well Pipelines: $2,106,142.72
- Ash Creek Toquer Pipeline: $9,062,263.98
- Cottam Well 3: $2,148,457.90
- Regional Pipeline to Sand Hollow: $3,778,412.84
- Cottam to Casa Parallel Pipeline: $1,999,648.31
- Office Building Security Upgrade: $1,220,467.11
- Grass Valley Water Diversion: $246,370.33
- Fish Barriers Rebuild: $951,565.80

Accumulating costs in projects in progress increased from 2024 to 2025, due to the new and continuing projects. Highlights of projects in progress as of December 31, 2025, and related costs incurred in 2025 for these projects include:

- Lake Powell Pipeline: $22,808.29
- Sand Hollow Well 7: $592,184.19
- Toquer Dam & Reservoir: $20,037,513.14
- Quail Creek to Cottam Pipeline and Pump Stations: $7,277,101.67
- Sand Hollow 2 MG Tank B: $6,223,069.20
- Quail Creek WTP 80 MGD Expansion: $13,457,180.03
- Warner Valley Project: $20,452,296.27
- Quail Creek WTP Ozone Expansion: $1,327,875.35
- Quail Creek Storage Expansion 10 MG Tank: $6,710,008.94

- Confluence Park to TSWS Pumpstation: $5,829,421.11
- Regional Reuse PDR and Land Acquisition: $957,222.51
- Gunlock water treatment: $850,310.86
- Graveyard Wash Reservoir: $1,958,464.82

Long-term debt

At the end of the current fiscal year the District had total bonded debt outstanding of $56,325,826 and lease liabilities of $23,541 The following is a summary of the District's long-term debt as of December 31, 2025 and 2024:

	2025	2024
General obligation bonds	$ -	$ -
Revenue bonds	56,325,826	59,076,046
Lease liabilities	23,540	24,906
	$ 56,349,366	$ 59,100,952

The District made $2,750,220 of debt repayments, and $1,365 in lease service payments. No new debt was issued during the year.

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

Requests for information

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

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FINANCIAL STATEMENTS

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 206,944,323	$ 43,297,190	$ 250,241,513
Investments	1,335,000	-	1,335,000
Receivables (net of allowance)	14,093,775	2,584,857	16,678,632
Prepaid items	50,871	175,579	226,450
Restricted cash and cash equivalents	-	97,268,709	97,268,709
Capital assets (net of accumulated depreciation):			
Land	97,156,004	13,596,092	110,752,096
Construction in progress	154,309,845	1,653,771	155,963,616
Buildings and improvements	6,614,988	-	6,614,988
Furniture & equipment	104,619	3,847,212	3,951,831
Infrastructure	-	171,200,407	171,200,407
Vehicles	559,165	1,743,586	2,302,751
Office equipment	55,359	-	55,359
Right-of-use leased easements	-	16,464	16,464
Total assets	481,223,949	335,383,867	816,607,816
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	930,847	608,160	1,539,007
Total deferred outflows of resources	930,847	608,160	1,539,007
Liabilities			
Accounts payable and other current liabilities	15,419,987	1,063,584	16,483,571
Unearned revenue	-	1,805,225	1,805,225
Interest payable	-	993,550	993,550
Current portion of long-term liabilities	303,730	3,250,553	3,554,283
Noncurrent liabilities:			
Due in more than one year:			
Liabilities due in more than one year	202,486	53,432,868	53,635,354
Net pension/OPEB liability	539,219	352,293	891,512
Total liabilities	16,465,422	60,898,073	77,363,495
Deferred inflows of resources			
Deferred inflows related to pensions/OPEB	7,921	5,175	13,096
Deferred inflows related to leases receivable	346,153	-	346,153
Deferred gain on refunding	-	593,172	593,172
Deferred inflows related to bond premiums	-	6,311,304	6,311,304
Total deferred inflows of resources	354,074	6,909,651	7,263,725
Net position			
Net investment in capital assets	258,800,014	129,396,861	388,196,875
Restricted for:			
Water conservancy projects	205,434,645	-	205,434,645
Debt service	-	97,268,709	97,268,709
Unrestricted	1,100,641	41,518,733	42,619,374
Total net position	$ 465,335,300	$ 268,184,303	$ 733,519,603

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Activities
For the Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants & Contributions**	**Capital Grants & Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities:							
General government	$ 2,396,205	$ 4,298,418	$ 3,174,942	$ 41,174,185	$ 46,251,340	$ -	$ 46,251,340
Total governmental activities	2,396,205	4,298,418	3,174,942	41,174,185	46,251,340	-	46,251,340
Business-type activities:							
Water and wastewater	18,696,415	22,345,119	-	3,074,953	-	6,723,657	6,723,657
Total business-type activities	18,696,415	22,345,119	-	3,074,953	-	6,723,657	6,723,657
Total primary government	$ 21,092,620	$ 26,643,537	$ 3,174,942	$ 44,249,138			
		General revenues:					
		Taxes:					
		Property taxes			17,869,153	-	17,869,153
		Unrestricted investment earnings			12,929,631	5,342,784	18,272,415
		Gain on sale of capital assets			94,892	126,506	221,398
		Gain on debt refunding			-	169,682	169,682
		Transfers			(18,210,620)	18,210,620	-
		Total general revenues			12,683,056	23,849,592	36,532,648
		Change in net position			58,934,396	30,573,249	89,507,645
		Net position - beginning			406,400,904	237,611,054	644,011,958
		Net position - ending			$ 465,335,300	$ 268,184,303	$ 733,519,603

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Virgin River Program	Capital Projects Fund	Total Governmental Funds
Assets				
Current assets:				
Cash and cash equivalents	$ 66,713,148	$ 925,087	$ 139,306,088	$ 206,944,323
Investments	1,335,000	-	-	1,335,000
Accounts receivable	435,210	135,837	9,356,737	9,927,784
Due from other government units	3,819,838	-	-	3,819,838
Leases receivable	346,153	-	-	346,153
Prepaid expenses	5,444	331	45,096	50,871
Total assets	$ 72,654,793	$ 1,061,255	$ 148,707,921	$ 222,423,969
Liabilities				
Accounts payable	$ 225,666	$ 176,910	$ 12,193,906	$ 12,596,482
Accrued wages and benefits	96,962	2,909	26,011	125,882
Retainage payable	-	-	2,697,623	2,697,623
Customer deposits	-	-	-	-
Total liabilities	322,628	179,819	14,917,540	15,419,987
Deferred inflows of resources				
Unearned lease revenues	346,153	-	-	346,153
Total deferred inflows of resources	346,153	-	-	346,153
Fund balances				
Nonspendable:				
Prepaids	5,444	331	45,096	50,871
Restricted for:				
Capital projects - Impact Fees	-	-	88,025,362	88,025,362
Capital projects	-	-	45,719,923	45,719,923
Assigned to:				
Capital projects	70,807,924	-	-	70,807,924
Public works	-	881,105	-	881,105
Unassigned	1,172,644	-	-	1,172,644
Total fund balances	71,986,012	881,436	133,790,381	206,657,829
Total liabilities, deferred inflows, and fund balances	$ 72,654,793	$ 1,061,255	$ 148,707,921	$ 222,423,969

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2025

Total fund balances governmental funds		$ 206,657,829
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	$ 263,393,785	
Accumulated depreciation	(4,593,788)	
		258,799,997
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(506,233)	
Net pension/OPEB liability	(539,219)	
		(1,045,452)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:		
Deferred outflows	930,847	
Deferred inflows	(7,921)	
		922,926
Net position of governmental activities		$ 465,335,300

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Virgin River Program	Capital Projects Fund	Total Governmental Funds
Revenues				
Property tax	$ 17,752,478	$ -	$ -	$ 17,752,478
Impact fees	193,184	-	32,310,780	32,503,964
Interest	2,124,842	41,832	10,762,957	12,929,631
Other revenues	4,308,624	3,634,898	8,760,002	16,703,524
Total revenues	24,379,128	3,676,730	51,833,739	79,889,597
Expenditures				
Current:				
Capital expenditures	422,176	154,942	100,023,623	100,600,741
Public education	75,154	80,378	566	156,098
Payroll & benefits	3,690,807	131,989	1,125,997	4,948,793
Cloud seeding	502,425	-	-	502,425
Audit & accounting	54,141	-	-	54,141
Telephone	30,923	401	8,844	40,168
Insurance & bond	3,516	-	-	3,516
Travel & training	63,159	1,608	31,112	95,879
Office	3,300,994	15,235	11,681	3,327,910
Miscellaneous	18,504	80,501	615,345	714,350
Legal	1,853,808	-	3,469,045	5,322,853
Auto expenses	16,285	-	20,004	36,289
Board expenses	7,000	-	-	7,000
RDA property taxes	116,675	-	-	116,675
Engineering & maintenance	216,996	66,948	9,464,601	9,748,545
Environmental	-	2,716,159	-	2,716,159
Utilities	31,617	16,731	126,565	174,913
Building maintenance	58,044	-	-	58,044
Total expenditures	10,462,224	3,264,892	114,897,383	128,624,499
Excess of revenues over expenditures	13,916,904	411,838	(63,063,644)	(48,734,902)
Net change in fund balances	13,916,904	411,838	(63,063,644)	(48,734,902)
Fund balances, beginning of year	58,069,108	469,598	196,854,025	255,392,731
Fund balances, end of year	$ 71,986,012	$ 881,436	$ 133,790,381	$ 206,657,829

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (48,734,902)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.		
Capital outlay	$ 126,840,621	
Depreciation expense	(494,407)	
		126,346,214
Governmental funds do not report transfers of capital assets to other funds as revenues or expenditures. However, in the statement of activities, the donation of capital assets is reported as a transfer.		(18,248,495)
Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the loss on the sale of capital assets is reported net of its net book value.		(200,809)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(97,902)
Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the District's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
Pension/OPEB contributions	643,264	
Pension/OPEB expense	(772,974)	
		(129,710)
Change in net position of governmental activities		$ 58,934,396

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position
Proprietary Funds
December 31, 2025

		Proprietary Fund
Assets		
Current assets:		
Cash and cash equivalents	$	43,297,190
Receivables (net of allowance)		2,584,857
Prepaid expenses		175,579
Total current assets		46,057,626
Restricted assets:		
Restricted cash		97,268,709
Total restricted assets		97,268,709
Noncurrent assets:		
Land & water rights		13,596,092
Construction in progress		1,653,771
Infrastructure		283,110,134
Equipment and other capital assets		2,232,618
Vehicles		1,995,166
Right-of-use leased easements		43,403
Accumulated depreciation & amortization		(110,573,652)
Total noncurrent assets		192,057,532
Total assets		335,383,867
Deferred Outflows of Resources		
Deferred outflows related to pensions/OPEB		608,160

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Net Position, Continued
Proprietary Funds
December 31, 2025

Liabilities	
Current liabilities:	
Accounts payable	963,822
Accrued liabilities	79,662
Customer deposits	20,100
Accrued interest payable	993,550
Current portion of long-term debt	3,250,553
Total current liabilities	5,307,687
Noncurrent liabilities (net of current portion):	
Unearned revenue	1,805,225
Compensated absences	334,054
Bonds payable	56,325,826
Lease liabilities	23,541
Net pension/OPEB liability	352,293
Less current portion	(3,250,553)
Total noncurrent liabilities	55,590,386
Total liabilities	60,898,073
Deferred Inflows of Resources	
Deferred inflows related to pensions	5,175
Debt issue premium	6,311,304
Deferred gain on refunding	593,172
Total deferred inflows of resources	6,909,651
Net Position	
Net investment in capital assets	129,396,861
Restricted	97,268,709
Unrestricted	41,518,733
Total net position	$ 268,184,303

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Proprietary Fund
Operating revenues	
Power sales	$ 623,081
Water sales (net of rebate)	20,482,572
Water development & connection fees	49,178
Other charges and fees	1,100,745
Total operating revenues	22,255,576
Operating expenses	
Depreciation	6,869,467
Amortization	1,413
Operations & maintenance	2,101,542
Payroll & benefits	3,447,519
Insurance & bonds	279,651
Office expenses	2,133
Building maintenance	726,179
Utilities	1,155,696
Water fees	218,637
Telephone	22,601
Auto expenses	90,001
Service charges	303,165
Miscellaneous	977,465
Travel and training	60,093
Total operating expenses	16,255,562
Operating income (loss)	6,000,014
Non-operating revenues (expenses)	
Other income	89,543
Gain (loss) on sale of capital assets	126,506
Development surcharge	3,074,953
Gain on refunding	169,682
Interest income	5,342,784
Interest expense	(2,440,853)
Total non-operating revenue (expense)	6,362,615
Income (loss) before contributions and transfers	12,362,629
Contributions and transfers:	
Capital Contribution	18,210,620
Total contributions & transfers	18,210,620
Change in net position	30,573,249
Net position, beginning of year	237,611,054
Net position, end of year	$ 268,184,303

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

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Proprietary Fund
Cash flows from operating activities:	
Cash received from customers, service fees	$ 20,985,088
Cash received from customers, other	1,100,745
Cash paid to suppliers	(6,472,346)
Cash paid to employees	(3,629,926)
Net cash flows from operating activities	11,983,561
Cash flows from noncapital financing activities:	
Operating grants and contributions	89,543
Net cash flows from noncapital financing activities	89,543
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,190,034)
Principal paid on bonds	(2,750,220)
Principal paid on leases	(1,365)
Interest paid	(2,594,070)
Development surcharge	3,074,953
Net cash flows from capital and related financing activities	(10,460,736)
Cash flows from investing activities:	
Proceeds from sale of asset	677,935
Interest on investments	5,396,801
Net cash flows from investing activities	6,074,736
Net change in cash and cash equivalents	7,687,104
Cash and cash equivalents, including restricted cash, beginning of year	132,878,795
Cash and cash equivalents, including restricted cash, end of year	$ 140,565,899

(continued)

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

Reconciliation of operating income to net cash flows from operating activities:		
Net operating income (loss)	$	6,000,014
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation/amortization		6,869,873
Employer pension/OPEB contributions		44,736
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables		(30,178)
(Increase)/decrease in prepaids		(66,530)
Increase/(decrease) in payables		(467,646)
Increase/(decrease) in accrued liabilities		(227,143)
Increase/(decrease) in unearned revenue		(139,565)
Net cash flows from operating activities	$	11,983,561
Supplemental schedule of non-cash financing and investing activities:		
Capital asset contribution to governmental activities	$	18,210,620

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

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

Government-wide and fund financial statements

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

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

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

Note 1. Summary of Significant Accounting Policies, Continued

- The *General fund* is the District's main operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

- The C*apital projects fund* accounts for financial resources to be used for the acquisition and improvement of sites, construction and remodel of major capital facilities.

- The *Virgin River Program fund* is a special revenue fund and accounts for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

Cash, Deposits, and Investments

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

Note 1. Summary of Significant Accounting Policies, Continued

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

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.

Capital Assets

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

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

Compensated Absences

The District accrues unpaid annual time off, when earned by the employee. All accrued leave at December 31, 2025 was recorded as a long term liability in proprietary funds and in the governmental funds for the government wide statement of net position.

Long-Term Obligations

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

Note 1. Summary of Significant Accounting Policies, Continued

Leases and Subscription-Based Information Technology Arrangements

Lessee: The District recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The District is a lessor for a five noncancellable leases of land with terms between 5 and 25 years. The District recognizes a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures a 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.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 1. Summary of Significant Accounting Policies, Continued

Subscription-based information technology arrangements: The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements, when applicable. The District recognizes subscription liabilities with an initial, individual value of $5,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

Net Position Classifications

In the government-wide financial statements, net position is displayed in three components:

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

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

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

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

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

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

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

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

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

Pensions

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

Note 1. Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

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

Budgetary Data

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

Property Taxes

The property taxes of the District are levied, collected, and distributed by Washington County as required by Utah State law. Utah statutes established the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1, and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 1, to September 15, for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30. Penalties for delinquent taxes is the greater of 2.5% or $10 for each parcel. The penalty will be reduced to the greater of 1% or $10 if all delinquent taxes are paid on or before January 31. If delinquent taxes are paid after January 31, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1, until the date paid. If in May of the fifth year the taxes remain delinquent, the County advertises and sells the property at a tax sale. Therefore, property taxes are ultimately collectible and no allowance for doubtful accounts is considered necessary. As of December 31, 2025, all real property was assessed at $41,884,581,591.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

Note 3. Deposits and Investments

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

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

Custodial Credit Risk-Investments - All investment securities are held in a qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Utah Money Management Council. Investments at December 31, 2025, consisted of the following:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	$ 29,353,833	$ 29,421,002
US Bank Investments	289,753,739	289,753,739
Governmental Bonds	1,335,000	1,335,000
Total Cash Deposits	28,402,650	33,892,126
Total Cash and Investments	$ 348,845,222	$ 354,401,867

Note 3. Deposits and Investments, Continued

Presented by:

General Fund	$	68,048,148
Virgin River Program		925,087
Capital Projects Fund		139,306,088
Enterprise Fund		140,565,899
Total	$	348,845,222

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

Interest Rate Risk-Investments - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. In addition to demand deposits, the District holds $1,335,000 in Governmental Bonds listed above that are held by their Trustee.

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 the 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, certified investment advisors, 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

Note 3. Deposits and Investments, Continued

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.

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:* Valuations based on quoted prices in active markets for identical assets or liabilities that the District can access. Since valuations are based on quoted prices that are readily and regularly available in an active market, the valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and other U.S. Agency and sovereign government obligations.;
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include corporate and municipal bonds, and "brokered" or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The District's investments in the Public Treasurers Investment Fund are valued using significant other observable inputs (Level 2 inputs).

On December 31, 2025, The District had the following recurring fair value measurements for its US Bank investments:

Security Type Category	Level 1	Level 2	Level 3	Other	Total
Agency	63,217,442.05	0.00	0.00	0.00	63,217,442.05
CD	0.00	10,108,400.74	0.00	0.00	10,108,400.74
Corporate	0.00	83,613,009.10	0.00	0.00	83,613,009.10
MM Fund	8,766,044.01	0.00	0.00	0.00	8,766,044.01
US Gov	121,524,080.00	0.00	0.00	0.00	121,524,080.00
---	193,507,566.06	93,721,409.84	0.00	0.00	287,228,975.90

Note 3. Deposits and Investments, Continued

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

For securities that generally have market prices from multiple sources, it can be challenging to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a "consensus price" or a weighted average price for each security. The District receives market prices for these securities from a variety of industry-standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. Through the help of an investment advisor, the District uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

- U.S. Treasuries, Money Markets, U.S. Agencies: quoted prices for identical securities in markets that are active;

Debt securities classified in Level 2 are valued using the following approaches

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Bond Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the December 30, 2025, fair value factor, as calculated by the Utah State Treasurer, to The District's average daily balance in the fund; and,
- Donated Real Estate: recent appraisals of the real estate's value.

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 certificates of 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 corporate note securities may not have a remaining term to final maturity exceeding three years.

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

Note 3. Deposits and Investments, Continued

Final Maturity Group	Security Type	Market Value + Accrued	Book Value	Book Value + Accrued
1 to 3 Years	YANKEE	2,518,474.80	2,503,964.86	2,518,889.66
1 to 3 Years	US GOV	49,014,392.36	47,710,802.33	48,290,494.70
3 to 5 Years	US GOV	34,538,359.19	33,819,274.59	34,185,598.78
0 to 1 Year	US GOV	26,234,076.33	25,945,502.28	26,146,063.61
0 to 1 Year	T-BILL	12,883,830.00	12,875,821.58	12,875,821.58
0 to 1 Year	MMFUND	8,766,044.01	8,766,044.01	8,766,044.01
1 to 3 Years	CORP	70,171,431.64	69,583,456.73	70,042,793.37
0 to 1 Year	CORP	11,228,294.03	11,148,052.38	11,219,123.91
3 to 5 Years	CORP	240,354.93	239,283.25	239,496.58
1 to 3 Years	CD	4,854,852.46	4,796,251.59	4,820,880.85
3 to 5 Years	CD	4,819,651.06	4,757,371.74	4,780,215.66
0 to 1 Year	CD	482,434.29	479,873.05	480,936.94
3 to 5 Years	AGCY BOND	38,222,134.25	37,493,567.74	38,008,714.08
1 to 3 Years	AGCY BOND	25,779,409.60	25,460,000.01	25,728,955.46
---	---	289,753,738.95	285,579,266.13	288,104,029.18

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:

Rating (CD's NA)	Security Type	Moody's Rating	DBRS Rating	S&P Rating	Book Value	Market Value + Accrued	Book Value + Accrued
AAA	AGCY BOND	Aa1	AAA	---	50,032,811.51	51,038,662.88	50,776,029.34
AA+	AGCY BOND	Aa1	AAA	---	12,920,756.23	12,962,880.97	12,961,640.20
NA	CD	NA	NA	---	7,636,458.36	7,713,691.09	7,662,501.51
A+	CD	A1	NA	---	239,737.05	245,827.46	242,866.91
AA-	CD	Aa3	NA	---	959,106.30	978,690.54	969,089.64
NR	CD	WR	NA	---	240,000.00	243,661.32	242,209.32
BBB-	CD	Baa3	NA	---	479,087.65	488,101.28	480,881.74
BBB+	CD	Baa1	NA	---	239,457.83	246,491.70	244,144.74
A-	CD	A3	NA	---	239,649.20	240,474.41	240,339.61
A	CORP	A2	AA (low)	---	29,560,133.49	29,798,269.37	29,743,107.86
A-	CORP	A3	NA	---	2,501,768.37	2,526,338.46	2,524,856.83
AA-	CORP	Aa3	AA (low)	---	16,156,405.74	16,294,905.12	16,270,013.37
A+	CORP	A1	AA (low)	---	17,489,193.13	17,628,378.37	17,608,321.50
AA	CORP	Aa2	AA	---	7,507,526.46	7,543,615.21	7,531,241.67
NA	CORP	A2	NA	---	2,741,520.28	2,765,379.36	2,757,183.03
AAA	CORP	Aa1	NA	---	5,014,244.88	5,083,194.71	5,066,689.60
AAA	MMFUND	Aaa	NA	---	8,766,044.01	8,766,044.01	8,766,044.01
A-1+	T-BILL	P-1	R-1 H	---	12,875,821.58	12,883,830.00	12,875,821.58
AAA	US GOV	Aa1	AAA	---	88,348,363.74	90,462,157.06	89,311,335.79
AA+	US GOV	Aa1	AAA	---	19,127,215.46	19,324,670.83	19,310,821.29
A	YANKEE	A2	AA (low)	---	2,503,964.86	2,518,474.80	2,518,889.66
---	---	Aa3	AA (high)	---	285,579,266.13	289,753,738.95	288,104,029.18

Note 3. Deposits and Investments, Continued

The concentration of Credit Risk

The 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

For an investment, custodial credit risk 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 possession of an outside party. The District does have a formal policy for custodial credit risk. All investments other than bank deposits or funds invested in the state treasurers fund are to be held by a third party with securities delivered on delivery vs. purchase basis. As of December 31, 2025, the District safe-kept all investments with custodian counterparty US Bank, and all investments which were held by the counterparty's trust department or agent are registered in the District's name.

Note 4. Accounts Receivable

Accounts receivable of the Enterprise Fund is from power and water sales. The Power Sales (totaling $768,965) are to Dixie Power REA and Hurricane City, and are made under a contract dated May 10, 1984, and most recently amended with effective dates from January 1, 2019, to January 1, 2029. The contract specifies that power generated be sold at five cents per kilowatt hour. Dixie Power REA purchases all power produced by the Quail Creek Hydroelectric plant and Hurricane City purchases all power generated by the Hurricane Hydro plant. The water sales (totaling $20,482,572) arise from individual contracts to various municipalities and others. The Enterprise Fund accounts receivable balance at December 31, 2025 consisted of the following:

Customer	Amount	Type
Dixie Power	$ 74,524	Power
Hurricane City	767,408	Power & Water
St. George City	90,383	Water
City of Washington	67,712	Water
Other	1,584,830	Water
Total	$ 2,584,857	

Note 5. Due from Other Governmental Units

The amount due from other governmental units consists of property taxes collected for the District by Washington County but unremitted as of December 31, 2025, as well as uncollected property taxes which are also recorded as deferred revenue.

Note 6. Capital Assets

Capital asset activity as of December 31, 2025, consisted of the following:

	12/31/24 Balance	Additions	Retirement	Transfers	12/31/25 Balance
Governmental Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	$ 58,162,575	$ 56,493,429	$ (17,500,000)	$ -	$ 97,156,004
Projects in Progress	86,214,315	91,227,355	(4,883,330)	(18,248,495)	154,309,845
Total Non-Depreciable Assets	144,376,890	147,720,784	(22,383,330)	(18,248,495)	251,465,849
Depreciable Capital Assets:					
Buildings & Improvements	8,975,367	1,220,467	-	(30,957)	10,164,878
Furniture & Fixtures	585,900	-	-	-	585,900
Office Equipment	368,332	-	-	-	368,332
Vehicles	819,583	282,700	(293,456)	-	808,826
Total Depreciable Assets	10,749,182	1,503,167	(293,456)	(30,957)	11,927,936
Accumulated Depreciation	(4,223,003)	(481,177)	96,462	13,931	(4,593,788)
Depreciable Assets, Net	6,526,179	1,021,990	(196,994)	(17,026)	7,334,148
Total Capital Assets, Net	$ 150,903,069	$ 148,742,774	$ (22,580,324)	$ (18,265,521)	$ 258,799,997

Depreciation expense for the year ended December 31, 2025, of $480,809 was charged to governmental activities.

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Note 6. Capital Assets, Continued

	12/31/24 Balance	Additions	Retirement	Transfers	12/31/25 Balance
Business-Type Activities:					
Nondepreciable Capital Assets:					
Land & Water Rights	$ 13,596,092	$ -	$ -	$ -	$ 13,596,092
Projects in Progress	865,175	6,124,359	(5,443,400)	107,637	1,653,771
Total Non-Depreciable Assets	14,461,267	6,124,359	(5,443,400)	107,637	15,249,863
Depreciable Capital Assets:					
Infrastructure	258,402,713	6,514,607	-	18,192,815	283,110,135
Other Equipment	2,181,365	88,400	(16,147)	(21,000)	2,232,618
Vehicles	1,801,287	965,542	(771,663)	-	1,995,166
Right-of-use leased easments	42,396	1,008	-	-	43,404
Total Depreciable Assets	262,427,761	7,569,557	(787,810)	18,171,815	287,381,323
Accumulated Depreciation & Amortization	(103,877,217)	(6,870,880)	188,376	(13,931)	(110,573,652)
Depreciable Assets, Net	158,550,544	698,677	(599,434)	18,157,884	176,807,671
Total Capital Assets, Net	$ 173,011,811	$ 6,823,036	$ (6,042,834)	$ 18,265,521	$ 192,057,534

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

	12/31/24 Balance	Additions	Retirement	Transfers	12/31/25 Balance
Infrastructure Assets					
Anderson Jct to Harrisburg Line	$ 2,002,928		$ -	$ -	2,002,928
Cottam Well Water System	17,680,835	-	-	2,148,458	19,829,293
Dammeron Valley Waste Water Sys	926,662		-	-	926,662
Diversion Dam & Pipeline	18,836,898	41,198	-	-	18,878,096
Drought Mitigation Plan	1,461,868		-	-	1,461,868
Fairground Water	138,143		-	-	138,143
Gunlock Filter Station	526,893		-	-	526,893
Hurricane Valley Water System	1,271,285	63,494	-	2,307,794	3,642,572
Hydroplants	5,680,914	119,403	-	-	5,800,317
Ivins-Santa Clara Water System	7,676,300		-	-	7,676,300
Kayenta Ence Wells	925,466		-	-	925,466
Kolob Recreation	32,046		-	-	32,046
Kolob Reservoir	13,305,085	1,305,545	-	-	14,610,630
Leap Creek	323,932		-	-	323,932
Quail Creek By-Pass Line	1,478,702		-	-	1,478,702
Quail Creek Dams	24,783,400		-	-	24,783,400
Quail Creek Parallel	5,859,018		-	-	5,859,018
Quail Treatment Plant	35,671,500	-	-	(68,291)	35,603,209
Quail Creek Water Treatment Plant - Filter Upgrade	202,684	640,272	-	-	842,956
Regional Pipeline	19,820,894	13,602	-	3,778,413	23,612,909
Roads & Recreation	1,306,067		-	-	1,306,067
Sand Hollow	74,698,133	251,504	-	-	74,949,637
Sand Hollow Culinary Pipeline & 4 Wells	6,564,122	2,129,770	-	(18,346)	8,675,546
Sand Hollow Well #11	631,177		-	-	631,177
Sand Hollow Well #13	658,360		-	-	658,360
Toquerville Secondary Water System	3,473,732		-	-	3,473,732
Toquerville Springs Pipeline	1,080,651	180,245	-	9,062,264	10,323,160
Treatment Plant Maintenance Bldg	448,950		-	30,957	479,907
Virgin River Gorge Fish Barrier	923,170	-	-	951,566	1,874,736
Virgin-LaVerkin Water System	1,900,134	1,769,576	-	-	3,669,710
Warner Valley Reservoir	6,527,785		-	-	6,527,785
Washington City System	115,286		-	-	115,286
Washington Fields Fish Screen	16,605		-	-	16,605
Webb Hill Fish Barrier	95,584		-	-	95,584
Wet Sandy Project	1,357,504		-	-	1,357,504
	$ 258,402,713	$ 6,514,607	$ -	$ 18,192,815	$ 283,110,135

Note 7. Accounts Payable

Accounts payable at December 31, 2025, includes amounts due for various contracts and operating expenses of the District.

Note 8. Bonds Payable

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

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

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

Year Ending December 31,	Principal	Interest	Annual Debt Service
2026	$ 99,000	$ 8,140	$ 107,140
2027	101,000	6,160	107,160
2028	103,000	4,140	107,140
2029	104,000	2,080	106,080
	$ 407,000	$ 20,520	$ 427,520

On February 1, 2011, the District issued $2,435,000 in Series 2011A Revenue Bonds with an interest rate of 3.25% to finance a portion of the acquisition and construction of certain facilities relating to an existing drinking water treatment plant, including a storage tank, pipeline and other related facilities. The bonds are payable in monthly installments including interest with the debt service as follows:

Note 8. Bonds Payable, Continued

Year Ending December 31,	Principal	Interest	Annual Debt Service
2026	$ 49,811	$ 60,649	$ 110,460
2027	51,454	59,006	110,460
2028	53,151	57,309	110,460
2029	54,905	55,555	110,460
2030	56,716	53,744	110,460
2031-2035	312,910	239,390	552,300
2036-2040	368,041	184,259	552,300
2041-2045	432,886	119,415	552,301
2046-2050	508,952	43,143	552,095
	$ 1,888,826	$ 872,470	$ 2,761,296

On June 25, 2024, the District issued $25,565,000 in Series 2024 Revenue and Refunding Bonds which were issued with a premium of $2,749,876, amortized over the 20 year life of the bond, and incurred $187,000 in issuance costs. With transfers of debt service funds of $58,000, the net proceeds of $5,953,165 were used to advance refund the 2015 Bonds. Bonds have an average interest rate of 4.01%. The Series 2024 Revenue Bonds are payable in semiannual installments including interest on April 1, and October 1 of each year. The debt service of the 2024 Bonds is as follows:

Year Ending December 31,	Principal	Interest	Annual Debt Service
2026	$ 1,690,000	$ 1,198,000	$ 2,888,000
2027	1,775,000	1,113,500	2,888,500
2028	1,870,000	1,024,750	2,894,750
2029	1,965,000	931,250	2,896,250
2030	770,000	833,000	1,603,000
2031-2035	4,480,000	3,546,500	8,026,500
2036-2040	5,720,000	2,308,750	8,028,750
2041-2044	5,690,000	728,750	6,418,750
	23,960,000	11,684,500	35,644,500

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

Note 8. Bonds Payable, Continued

Year Ending December 31,	Principal	Interest	Annual Debt Service
2026	$ 1,210,000	$ 1,203,500	$ 2,413,500
2027	1,260,000	1,143,000	2,403,000
2028	1,320,000	1,080,000	2,400,000
2029	1,375,000	1,014,000	2,389,000
2030	1,380,000	945,250	2,325,250
2031-2035	10,740,000	3,551,750	14,291,750
2036-2037	6,785,000	513,000	7,298,000
	$ 24,070,000	$ 9,450,500	$ 33,520,500

Note 9. Long Term Liabilities

The following is a summary of long term liabilities and related transactions for the District during 2025:

	Balance 12/31/24	Additions	Retirements	Balance 12/31/25	Current Portion
Governmental activities					
Net pension/OPEB liabilities	$ 372,693	$ 166,526	$ -	$ 539,219	$ -
Accrued compensated absences	408,314	97,902	-	506,216	303,730
Total governmental activities	$ 781,007	$ 264,428	$ -	$ 1,045,435	$ 303,730

Business-Type activities	Balance 12/31/24	Additions	Retirements	Balance 12/31/25	Current Portion
Bonds payable					
2000A Series revenue bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
2004 Revenue bonds	504,000	-	(97,000)	407,000	96,000
2011A Series bonds	1,937,046	-	(48,220)	1,888,826	46,680
2015 Refunding bonds	-	-	-	-	-
2017A Revenue & refunding bonds	25,070,000	-	(1,000,000)	24,070,000	955,000
2024 Revenue bonds	25,565,000	-	(1,605,000)	23,960,000	1,605,000
Bond premium	6,762,770	-	(451,466)	6,311,304	451,466
Net bonds payable	65,838,816	-	(3,201,686)	62,637,130	3,154,146
Accrued compensated absences	273,860	292,975	(232,781)	334,054	200,432
Lease Liabilities	24,906	-	(1,365)	23,541	1,310
Net pension/OPEB liabilities	214,453	-	137,840	352,293	-
Total business-type activities	$ 66,352,035	$ 292,975	$ (3,297,992)	$ 63,347,018	$ 3,355,888
Total long-term liabilities	$ 67,133,042	$ 557,403	$ (3,297,992)	$ 64,392,453	$ 3,659,618

Note 9. Long Term Liabilities, Continued

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

Year Ending December 31,	Principal	Interest	Total
2026	3,048,811	2,470,289	5,519,100
2027	3,187,454	2,321,666	5,509,120
2028	3,346,151	2,166,199	5,512,350
2029	3,498,905	2,002,885	5,501,790
2030	3,706,716	1,831,994	5,538,710
2031-2035	20,032,910	7,337,640	27,370,550
2036-2040	12,873,041	3,006,009	15,879,050
2041-2045	6,122,886	848,165	6,971,051
2046-2050	508,952	43,143	552,095
2051	-	-	-
	$ 59,076,046	$ 24,622,060	$ 83,698,106

In prior years certain agreements entered into by the District were classified as operating leases or capital leases. With the implementation of GASB 87 in the year ending December 31, 2024, these agreements are now classified as lease liabilities. Beginning balances have been adjusted accordingly with any impact on net position being recorded as a restatement adjustment.

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

The District has no unused lines of credit as of December 31, 2025.

The District has entered into two easement lease agreements with the Bureau of Land Management for right-of-way easements. The first agreement had an initial liability of $30,230 in 2010 and a balance of $18,899 as of December 31, 2025. The second agreement had an initial liability of $12,166 in 2019 and a balance of $4,641 as of December 31, 2025. Both agreements have an effective interest rate of 4.27% and require annual payments of $1,732 through 2040 for the first and annual payments of $697 through 2033 for the second. The land associated with the leases will not be purchased at the end of the lease and has a non-terminating life-span. The values of the right-of-use assets were $30,230 and $12,166 respectively with accumulated amortization of $13,100 and $8,111 respectively.

The future principal and interest lease payments are as follows:

	Enterprise Fund Activities	
Year Ending December 31,	Principal	Interest
2026	$ 1,424	$ 1,005
2027	1,485	944
2028	1,548	881
2029	1,615	815
2030	1,683	746
2031-2035	8,134	2,617
2036-2040	7,651	1,008
	$ 23,540	$ 9,080

Note 10. Tax Rate

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

Note 11. Unearned Water Payments

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

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

Note 12. Transfers

During 2025 there were no interfund transfers recorded in the fund-financial statements. There was $18,210,620 of capital assets transferred from the governmental activities which had no impact on the governmental fund financial statements and was recorded as contributed capital in the proprietary fund financial statements, due to the differences between full accrual and modified accrual accounting. In the government wide financial statements, where all activity is reported on the full accrual basis, the amount is reported as a transfer from the governmental funds and a transfer to the proprietary funds.

Note 13. Employee Retirement Benefits

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

Defined Benefit Plans

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

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

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

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

Summary of Benefits by System

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage per Year of Service	COLA**
Noncontributory System	Highest 3 Years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% 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	1.50% per year all years	Up to 2.5%

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

Note 13. Employee Retirement Benefits, Continued

Contribution Rate Summary

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

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)
Noncontributory System											
15 Local Government	-	15.97	-	111	0.81	14.19	-	211	-	4.19	10.00

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

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

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 294,001	N/A
Tier 2 Public Employees System	321,258	16,503
Tier 2 DC Only System	52,272	N/A
Total Contributions	$ 667,531	$ 16,503

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

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

At December 31, 2025, the District reported a net pension asset of $0 and a net pension liability of $891,512.

Note 13. Employee Retirement Benefits, Continued

	(Measurement Date): December 31, 2024				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share Dec. 31,2023	Change (Decrease)
Noncontributory System	$ -	$ 692,744	0.2184545%	0.2057134%	0.0127411%
Tier 2 Public Employees System	-	198,767	0.0666471%	0.0565052%	0.0101419%
	$ -	$ 891,512			

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 01, 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, the District recognized pension expense of $845,540.

At December 31, 2025, the District 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	$ 498,705	$ 1,369
Changes in assumptions	123,689	21
Net difference between projected and actual earnings on pension plan investments	221,370	-
Changes in proportion and differences between contributions and proportionate share of contributions	27,713	11,706
Contributions subsequent to the measurement date	667,531	-
	$1,539,007	$ 13,096

$667,531 reported as deferred outflows of resources related to pensions results from contributions made by the District prior to the 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:

Note 13. Employee Retirement Benefits, Continued

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2025	$ 412,841
2026	413,962
2027	(69,776)
2028	2,989
2029	44,150
Thereafter	54,213

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

For the year ended December 31, 2025, the District recognized pension expense of $628,918.

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

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	$ 412,776	$ -
Changes in assumptions	57,303	-
Net difference between projected and actual earnings on pension plan investments	208,666	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	9,468
Contributions subsequent to the measurement date	294,001	-
	$ 972,745	$ 9,468

$294,001 reported as deferred outflows of resources related to pensions results from contributions made by the District prior to the 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	$ 390,396
2026	379,012
2027	(84,670)
2028	(15.461)
2029	-
Thereafter	-

Note 13. Employee Retirement Benefits, Continued

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

For the year ended December 31, 2025, the District recognized pension expense of $216,621.

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

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	$ 85,929	$ 1,369
Changes in assumptions	66,386	21
Net difference between projected and actual earnings on pension plan investments	12,704	-
Changes in proportion and differences between contributions and proportionate share of contributions	27,713	2,239
Contributions subsequent to the measurement date	373,530	-
	$ 566,261	$ 3,629

$373,530 reported as deferred outflows of resources related to pensions results from contributions made by the District prior to the 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	$ 22,445
2026	34,951
2027	14,894
2028	18,451
2029	44,150
Thereafter	54,213

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.

Note 13. Employee Retirement Benefits, Continued

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.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.85 percent) or 1 percentage point higher (7.85 percent) than the current rate:

Note 13. Employee Retirement Benefits, Continued

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 2,929,740	$ 692,744	($1,183,371)
Tier 2 Public Employees System	593,670	198,767	(108,428)
Total	$ 3,523,411	$ 891,512	($1,291,799)

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

Defined Contribution Savings Plans

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

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems: 401(k) Plan, 457(b) Plan and Roth IRA Plan.

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

401(k) Plan	2025	2024	2023
Employer Contributions	$630,199	$545,871	$452,258
Employee Contributions	$430,707	$390,180	$297,969
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	$32,698	-	-
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$33,750	$20,980	$20,310

Note 14. Restricted Net Position

The District determined to set aside funds for future projects. Accordingly, as of December 31, 2025, $205,434,645 of the Governmental Activities Restricted Net Position is restricted to be used for new water conservancy projects and $97,268,709 of Business-type Net Position is restricted for debt service. In addition, $40,996,106 of Business-type Net Position is restricted for Rate Stabilization to be used for debt service and capital asset acquisition in case of insufficient revenues and $56,272,603 is restricted for Renewal and Replacement required by the Regional Water Supply Agreement.

Note 15. Litigation

During the ordinary course of its operation, the District is a party to various claims, legal actions and complaints.

The District has been involved with a class action claim with which it has been in discussions to come to a settlement with the plaintiffs. At the beginning of 2026 a settlement of $17,000,000 was agreed to by both parties and was approved by the judge in June 2026, with payment being made by the District subsequent to approval of the judge.

The District's management and legal counsel do not anticipate any matters that will materially affect the District's ability to fulfill its financial commitments.

Note 16. Other Commitments

The District is obligated at December 31, 2025, under various uncompleted construction contracts as follows:

	Project Authorized Amounts	Costs to Date	Costs to Complete
Dammeron Valley Sewer Outfall Pipeline	$ 459,383	$ -	$ 459,383
Chief Toquer Reservoir & Toquer Dam	44,586,856	1,008,739	43,578,117
Sand Hollow 2MG Tank B	7,960,611	95,586	7,865,025
10 MG Storage Tank B	1,348,075	76,154	1,271,921
80 MGD/Ozone Expansion	13,619,102	1,212,802	12,406,300
LaVerkin Pond and Pipeline Project	1,388,100	-	1,388,100
LaVerkin Secondary System Improvement	92,800	-	92,800
Pump Station - TS to Virgin	1,048,096	595,350	452,746
HVWS Pump Station	1,450,726	-	1,450,726
Kolob Reservoir (Kolob Creek Dam Raise)	1,638,807	11,710	1,627,097
Dry Wash Reservoir	1,773,879	734,985	1,038,894
Graveyard Wash	1,000,000	-	1,000,000
Total	$ 76,366,435	$ 3,735,325	$ 72,631,109

Note 17. Water Treatment Plant

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:			
Property tax	$ 16,200,000	$ 17,752,478	$ 1,552,478
Interest	1,000,000	2,124,842	1,124,842
Other income	2,410,500	4,501,808	2,091,308
Total revenues	19,610,500	24,379,128	4,768,628
EXPENDITURES:			
Capital expenditures	450,000	422,176	27,824
Public education	85,000	75,154	9,846
Payroll & benefits	4,040,293	3,690,807	349,486
Cloud seeding	1,945,000	502,425	1,442,575
Audit & accounting	50,000	54,141	(4,141)
Telephone	55,100	30,923	24,177
Insurance & bond	6,500	3,516	2,984
Travel & training	174,000	63,159	110,841
Office	2,983,031	3,300,994	(317,963)
Miscellaneous	187,500	18,504	168,996
Legal	2,036,000	1,853,808	182,192
Auto expenses	28,500	16,285	12,215
Board expenses	8,000	7,000	1,000
RDA property taxes	100,000	116,675	(16,675)
Engineering & maintenance	655,000	216,996	438,004
Environmental	1,500	-	1,500
Utilities	33,000	31,617	1,383
Building maintenance	45,000	58,044	(13,044)
Total expenditures	12,883,424	10,462,224	2,421,200
Net change in fund balance	6,727,076	13,916,904	7,189,828
Fund balance, beginning of year	58,069,108	58,069,108	-
Fund balance, end of year	$ 64,796,184	$ 71,986,012	$ 7,189,828

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Virgin River Program
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance with Final Budget
REVENUES:			
Interest	$ 3,000	$ 41,832	$ 38,832
Other income	2,878,099	3,634,898	756,799
Total revenues	2,881,099	3,676,730	795,631
EXPENDITURES:			
Capital expenditures	165,020	154,942	10,078
Public education	50,000	80,378	(30,378)
Payroll & benefits	142,089	131,989	10,100
Telephone	750	401	349
Travel & training	2,500	1,608	892
Office	22,700	15,235	7,465
Miscellaneous	126,361	80,501	45,860
Operations & maintenance	160,386	66,948	93,438
Environmental	1,703,801	2,716,159	(1,012,358)
Utilities	50,000	16,731	33,269
Total expenditures	2,423,607	3,264,892	(841,285)
Net change in fund balance	457,492	411,838	1,636,916
Fund balance, beginning of year	469,598	469,598	-
Fund balance, end of year	$ 927,090	$ 881,436	$ 1,636,916

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2025

As of fiscal year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory System					
2015	0.0000000%	$ -	$ -	0.00%	0.0%
2016	0.0188787%	106,825	155,045	68.90%	87.8%
2017	0.1891976%	1,214,880	1,623,841	74.82%	87.3%
2018	0.1935960%	848,203	1,602,088	52.94%	91.9%
2019	0.1861890%	1,370,970	1,510,243	90.78%	87.0%
2020	0.2060508%	776,587	1,671,550	46.46%	93.7%
2021	0.2029089%	104,081	1,599,453	6.51%	99.2%
2022	(0.2052249%)	(1,175,345)	1,650,572	-71.21%	108.7%
2023	0.2076060%	355,577	1,672,968	21.25%	97.5%
2024	0.2057134%	477,165	1,643,021	29.04%	96.9%
2025	0.2184545%	692,744	1,650,577	41.97%	96.0%
Contributory System					
2015	3.0997511%	$ 894,103	$ 1,565,148	57.13%	94.0%
2016	3.5114195%	2,468,017	1,397,688	176.58%	85.7%
2017	0.7795726%	26,109	19,093	136.75%	92.9%
2018	0.0000000%	-	9,156	0.00%	0.0%
2019	0.0000000%	-	2,776	0.00%	0.0%
2020	0.0000000%	-	-	0.00%	0.0%
2021	0.0000000%	-	-	0.00%	0.0%
2022	0.0000000%	-	-	0.00%	0.0%
2023	0.0000000%	-	-	0.00%	0.0%
2024	0.0000000%	-	-	0.00%	0.0%
2025	0.0000000%	-	-	0.00%	0.0%
Tier 2 Public Employees System					
2015	0.0337495%	$ (1,023)	$ 165,582	-0.62%	103.5%
2016	0.0279640%	(61)	180,667	-0.03%	100.2%
2017	0.0387790%	4,326	318,019	1.36%	95.1%
2018	0.0445760%	3,930	436,689	0.90%	97.4%
2019	0.0482960%	20,684	563,442	3.67%	90.8%
2020	0.0565940%	12,728	786,286	1.62%	96.5%
2021	0.0552146%	7,941	883,676	0.90%	98.3%
2022	(0.046762%)	(19,791)	867,979	-2.28%	103.8%
2023	0.0481360%	52,415	1,048,684	5.00%	92.3%
2024	0.0565052%	109,981	1,460,856	7.53%	89.6%
2025	0.0666471%	198,767	1,974,145	10.07%	87.4%

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Schedule of Contributions
December 31, 2025

As of fiscal year ended December 31,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory System					
2015	$ 28,637	$ 28,637	$ -	$ 155,045	18.47%
2016	299,924	299,924	-	1,623,841	18.47%
2017	295,906	295,906	-	1,602,088	18.47%
2018	278,942	278,942	-	1,510,243	18.47%
2019	312,932	312,932	-	1,694,274	18.47%
2020	298,386	298,386	-	1,631,848	18.29%
2021	300,638	300,638	-	1,649,522	18.23%
2022	302,386	302,386	-	1,664,672	18.16%
2023	289,820	289,820	-	1,643,111	17.64%
2024	285,514	285,514	-	1,679,079	17.00%
2025	294,001	294,001	-	1,809,746	16.25%
Tier 2 Public Employees System*					
2015	$ 29,897	$ 29,897	$ -	$ 182,633	16.37%
2016	47,856	47,856	-	320,966	14.91%
2017	66,509	66,509	-	443,143	15.01%
2018	86,449	86,449	-	563,442	15.34%
2019	122,703	122,703	-	786,286	15.61%
2020	139,633	139,633	-	888,101	15.72%
2021	138,372	138,372	-	867,979	15.94%
2022	169,562	169,562	-	1,059,316	16.01%
2023	230,727	230,727	-	1,467,095	15.73%
2024	308,807	308,807	-	1,980,547	15.59%
2025	321,258	321,258	-	2,193,987	14.64%
Tier 2 Public Employees DC Only System*					
2015	$ 1,973	$ 1,973	$ -	$ 24,154	8.17%
2016	1,866	1,866	-	27,898	6.69%
2017	6,765	6,765	-	101,119	6.69%
2018	9,806	9,806	-	146,575	6.69%
2019	10,660	10,660	-	159,339	6.69%
2020	21,731	21,731	-	324,823	6.69%
2021	28,004	28,004	-	426,376	6.57%
2022	35,063	35,063	-	627,846	5.58%
2023	36,835	36,835	-	708,235	5.20%
2024	48,943	48,943	-	961,124	5.09%
2025	52,272	52,272	-	1,220,810	4.28%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Note 1. Changes in Assumptions

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

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance with Final Budget
REVENUES:			
Impact fees	$ 20,000,000	$ 32,310,780	$ 12,310,780
Interest	5,800,000	10,762,957	4,962,957
Other income	100,000	8,760,002	8,660,002
Total revenues	25,900,000	51,833,739	25,933,739
EXPENDITURES:			
Capital expenditures	133,717,174	100,023,623	33,693,551
Public education	3,000	566	2,434
Payroll & benefits	2,065,131	1,125,997	939,134
Telephone	15,000	8,844	6,156
Travel & training	40,000	31,112	8,888
Office	500	11,681	(11,181)
Miscellaneous	1,957,717	615,345	1,342,372
Legal	5,421,483	3,469,045	1,952,438
Auto expenses	25,000	20,004	4,996
Engineering & maintenance	34,932,084	9,464,601	25,467,483
Environmental	15,000	-	15,000
Utilities	590,000	126,565	463,435
Total expenditures	178,782,089	114,897,383	63,884,706
OTHER FINANCING SOURCES (USES):			
Transfers in	6,596,576	-	(6,596,576)
Total other financing sources (uses)	6,596,576	-	(6,596,576)
Net change in fund balance	(146,285,513)	(63,063,644)	(44,547,543)
Fund balance, beginning of year	196,854,025	196,854,025	-
Fund balance, end of year	$ 50,568,512	$ 133,790,381	$ 83,221,869

WASHINGTON COUNTY WATER CONSERVANCY DISTRICT
Proprietary Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2025

	Original & Final Budget	Actual	Variance with Final Budget
REVENUES:			
Power sales	$ 450,000	$ 623,081	$ 173,081
Water sales (net of rebate)	13,297,100	20,482,572	7,185,472
Water development & connection fees	52,400	49,178	(3,222)
Other charges and fees	76,840	501,213	424,373
Intergovernmental	5,433,138	599,532	(4,833,606)
Total revenues	19,309,478	22,255,576	2,946,098
EXPENSES:			
Depreciation	2,500,000	6,869,467	(4,369,467)
Amortization	1,414	1,413	1
Operations & maintenance	4,745,500	2,101,542	2,643,958
Payroll & benefits	3,656,541	3,447,519	209,022
Insurance & bonds	255,000	279,651	(24,651)
Office expenses	2,000	2,133	(133)
Building maintenance	4,328,500	726,179	3,602,321
Utilities	1,396,700	1,155,696	241,004
Water fees	155,000	218,637	(63,637)
Telephone	31,800	22,601	9,199
Auto expenses	125,000	90,001	34,999
Service charges	341,025	303,165	37,860
Miscellaneous	18,698,934	977,465	17,721,469
Travel and training	72,500	60,093	12,407
Total operating expenses	36,309,914	16,255,562	20,054,352
Operating income (loss)	(17,000,436)	6,000,014	23,000,450
OTHER INCOME (EXPENSES):			
Other income	371,000	89,543	(281,457)
Gain (loss) on sale of capital assets	-	126,506	126,506
Special assessment	1,000,000	-	(1,000,000)
Impact fees	1,673,000	3,074,953	1,401,953
Gain on refunding	-	169,682	169,682
Interest income	3,000,000	5,342,784	2,342,784
Interest expense	(2,596,750)	(2,440,853)	155,897
Capital Contribution	-	18,210,619	18,210,619
Transfers in	6,561,252	-	(6,561,252)
Total other financing sources (uses)	3,285,938	24,573,234	21,287,296
Net change in fund balance	(13,714,498)	30,573,248	44,287,746
Fund balance, beginning of year	237,611,055	237,611,055	-
Fund balance, end of year	$ 223,896,557	$ 268,184,303	$ 44,287,746

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FEDERAL AND STATE AUDITOR'S REPORTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Water Conservancy District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Washington County Water Conservancy District's basic financial statements, and have issued our report thereon dated June 30, 2026.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Squire & Company, PC

Squire & Company, PC
St. George, Utah
June 30, 2026

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

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

Report on Compliance

We have audited the Washington County Water Conservancy District's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide,* issued by the Office of the State Auditor, which could have a direct and material effect on the Washington County Water Conservancy District for the year ended December 31, 2025.

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

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

Report on Internal Control over Compliance

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

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

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

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

Squire & Company, PC

Squire & Company, PC
St. George, Utah
June 30, 2026

WASHINGTON COUNTY
WATER
CONSERVANCY
DISTRICT

Procurement Memo

To	Zachary Renstrom, General Manager
From	Trinity Stout, Reuse Project Manager
Date	July 1, 2026
Subject	Procurement of Construction Services

Type of Procurement: Invitation for Bids for Service.

Item Description: Construction Services for the LaVerkin Pond and Pipeline Project.

Reason for Procurement: The Reuse Department of the Washington County Water Conservancy District (district) needs to procure this service in order to construct the LaVerkin Pond and Pipeline project, which contains components of the CPWRF to LaVerkin Pond Pipeline, the LaVerkin Pond, and the LaVerkin Secondary System Improvement Projects.

Review of Bidders: Whitaker Construction submitted the lowest responsive bid of $12,488,518.50. Other bids received are described below.

Contractor	Bid Price
Whitaker Construction	$12,488,518.50
Interstate Rock	$12,699,263.75
Condie Construction	$13,262,594.50
BHI	$13,605,000.00
Royal T	$14,479,130.00
Suncore	$14,641,639.00
Harward & Rees	$21,084,583.40

Purchase Amount: $12,488,518.50

Contract Type(s): Fixed Price

Accounting Codes: 62-5234-720; 62-5235-720; 62-5820-720

Approved:

Zachary Renstrom, General Manager

WASHINGTON COUNTY
WATER
CONSERVANCY
DISTRICT

REQUEST FOR PROPOSALS
PROCUREMENT STATEMENT

The Washington County Water Conservancy District (district) issued a request for proposals for Construction Manager/General Contractor Services for the AWP Demonstration Facility and Conservation Garden Project.

The evaluation committee evaluated the proposals based on the evaluation criteria set forth in the request for proposals. The evaluation committee recommends that Mahas Construction, whose proposal received the highest score (90 of 100), be awarded the contract.

The recommended proposal provides the best value to the district because of their firm's qualifications, knowledge and experience in delivering similar projects, specifically in our local market, a thorough management plan, robust references, and cost of delivery.

Dated this 1st day of July, 2026

APPROVED:

Zachary Renstrom, General Manager

Procurement Memo

To	Zachary Renstrom, General Manager
From	Trinity Stout, Reuse Project Manager
Date	July 1, 2026
Subject	Procurement of Construction Manager/General Contractor Services

---

Type of Procurement: Request for Proposals for Service

Item Description: Procurement of Construction Manager/General Contractor (CMGC) Services for the AWP Demonstration Facility and Conservation Garden Project.

Reason for Procurement: The Reuse Department of the Washington County Water Conservancy District (district) needs to procure this service in order to deliver the AWP Demonstration Facility and Conservation Garden Project. The intent of procuring the CMGC contractor is facilitate cost estimating transparency, cost certainty, and meet complicated schedule constraints.

Review of Vendors: The following vendors submitted proposals in response to the district's Request for Proposals. Mahas Construction was the highest scoring vendor.

1. Mahas Construction: The reasons this vendor provides the best value to the district are described in the attached procurement statement.
2. Big D: This vendor did not score as high as the successful vendor.
3. Zwick: This vendor did not score as high as the successful vendor.
4. Haskell: This vendor did not score as high as the successful vendor.
5. Vancon: This vendor did not score as high as the successful vendor.
6. Whitaker: This vendor did not score as high as the successful vendor.
7. RSCI: This vendor did not score as high as the successful vendor.
8. Harward and Rees: This vendor did not score as high as the successful vendor.
9. Westland: This vendor did not score as high as the successful vendor.

Purchase Amount: $6,000 Pre-Construction Services, $240,000 Construction Supervision/General Conditions, Construction Management fee of 5%, Performance and Payment Bond and Insurance fee of 1%.

Contract Type(s): Construction Manager/General Contractor

The proposed contractor's accounting system will permit timely development of all necessary cost data in the form required by the above contract types. The proposed contractor's accounting system is adequate to allocate costs in accordance with generally accepted accounting principles, and the use of the above contract types is in the best interest of the district, taking into consideration the criteria set forth in Utah Code Annotated, Section 63G-6a-1205.

Accounting Code: 66-7042-720

Approved:

Zachary Renstrom, General Manager

WASHINGTON COUNTY
WATER CONSERVANCY DISTRICT

Board of Trustees Meeting

July 6, 2026

Agenda

- 2025 audit presentation
- Consider appointing Kay Barnum as District Clerk
- Water supply update
- Consider amending agreement with Solara development
- Consider annexation agreement with Angell Springs Water System
- Consider construction agreement for the La Verkin Pond and Pipeline Project
- Consider Construction Manager/General Contractor agreement for the AWP Demonstration Facility and Conservation Garden Project
- Manager’s report
- Request a closed session to discuss purchase of real property
- (Return to open session) Consider purchase of real property
- Consider approval of board meeting minutes from June 8, 2026

1. 2025 Audit Presentation

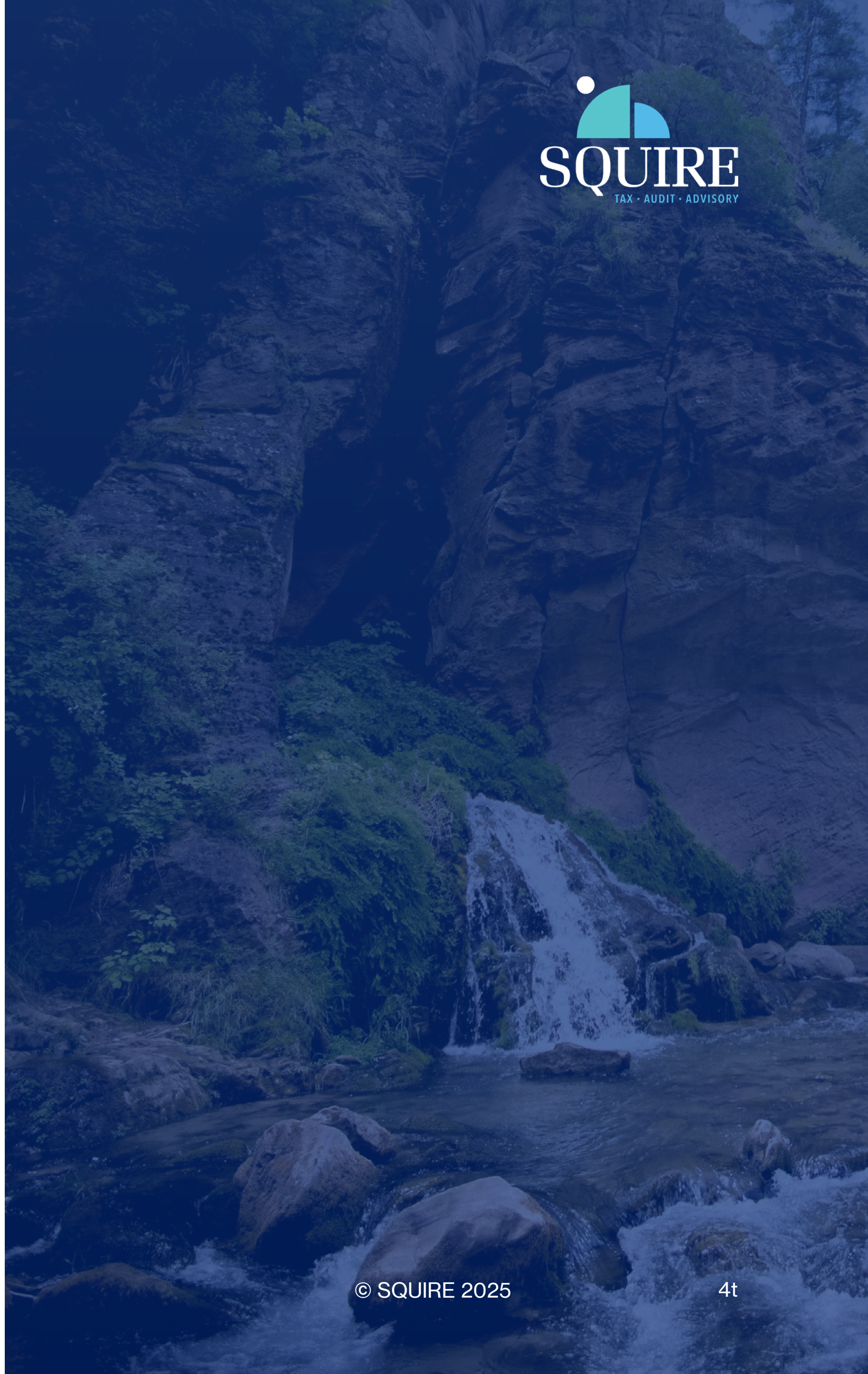
- McKay Hall, Squire & Company, PC
- For action

SQUIRE | HINTON BURDICK CPAs & ADVISORS

Washington County Water Conservancy District 2025 Audit Presentation

Presented July 6, 2026

By Squire & Company, PC



Financial Audit

- Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements. Misstatements are considered material if there is a substantial likelihood that, individually, or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.
- 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

Financial Audit

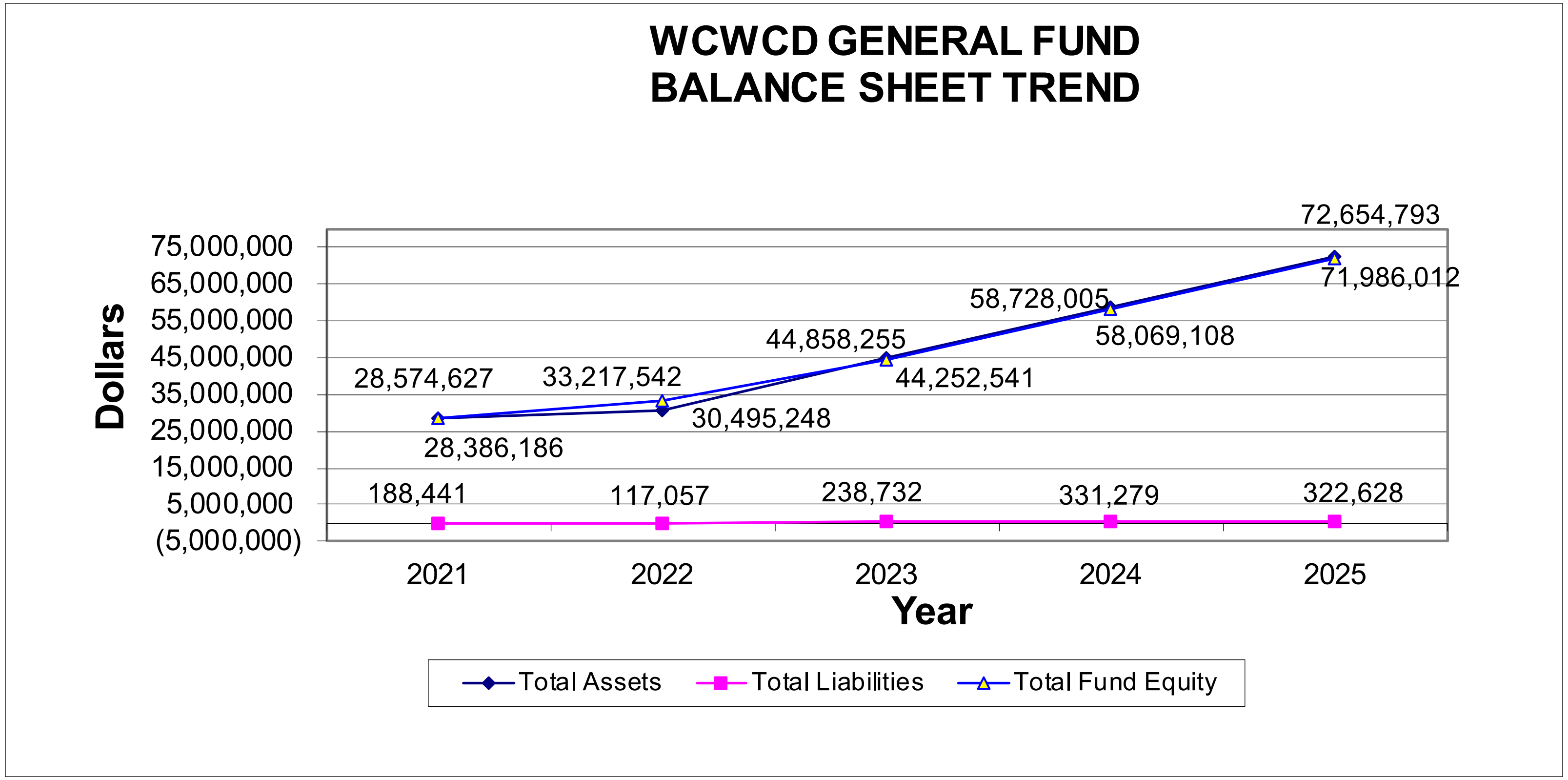
- Internal Controls
  - Understanding
  - Operating effectiveness
- Financial Statements
  - Testing
  - Confirmations
  - Supporting Documentation
  - Analytics
- Findings
  - Communicated to management and to those charged with governance.
  - Material weaknesses and significant deficiencies
  - Other items

Audit Reports

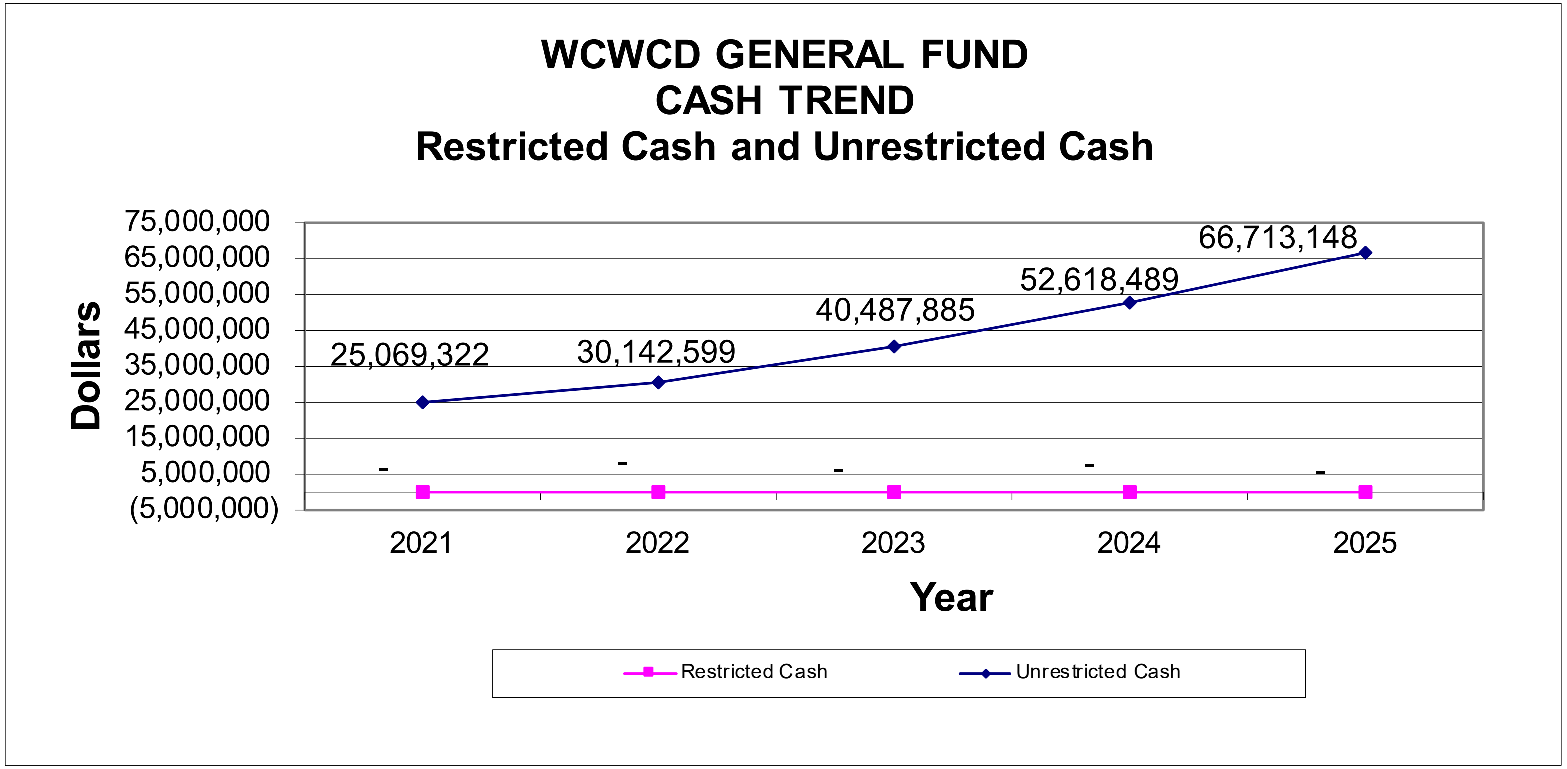
- **Independent Auditors Report**
  - Unmodified or “clean opinion”
- **Report on Compliance and on Internal Control over Financial Reporting**
  - Any material weaknesses and significant deficiencies noted during the audit are listed in this report.
  - no material findings
- **State Compliance Report**
  - Unmodified or “clean opinion”
  - no material findings

Government Wide Financial Highlights

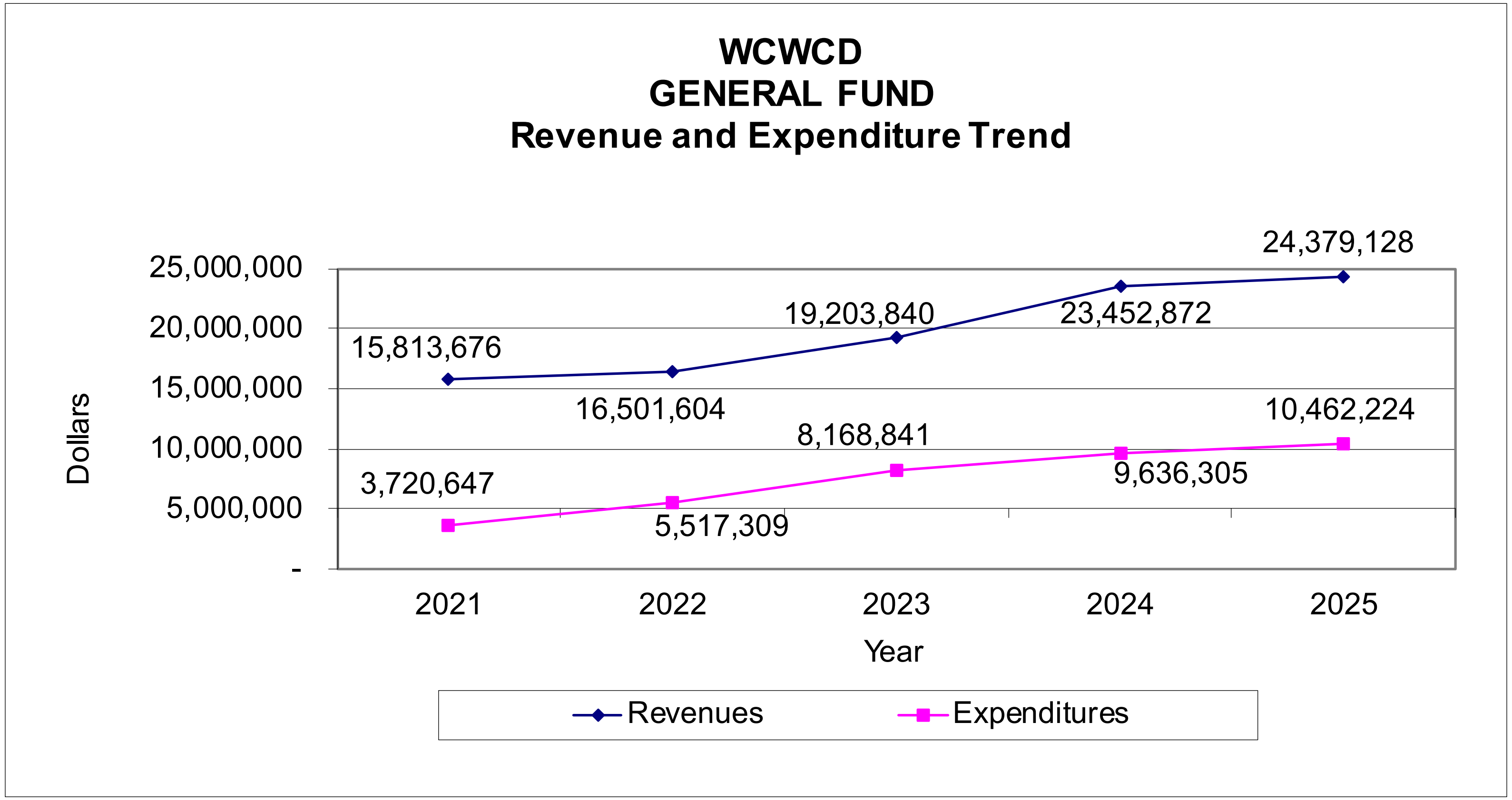
- **Total net position (equity) was $733,519,603 at December 31, 2025, (pg. 14).**
- **Total net position increased by $89,507,645 (pg. 15).**
  - Governmental activities increased by $59 million and Business-Type activities increased by $31 million.
- **Classification of Net Position**
  - Net invested in Capital Assets $388,196,875
  - Restricted $302,703,354
  - Unrestricted $42,619,374
- **Over time, increases or decreases in net position are an indicator of whether the financial health of the District is improving or deteriorating.**



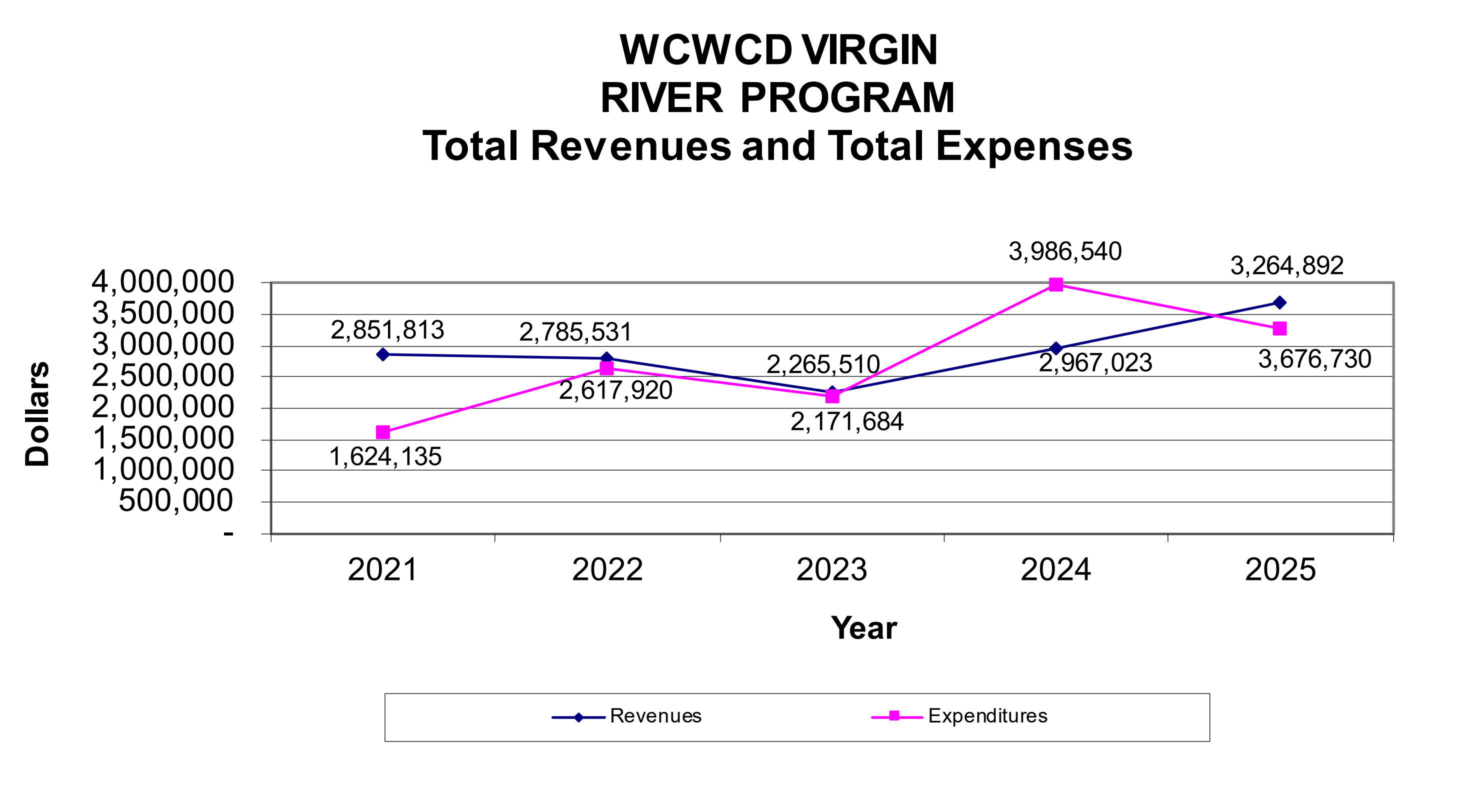
The General Fund shows a healthy balance sheet which is reported on the modified accrual basis. The modified accrual basis does not reflect long-term debt or capital assets.



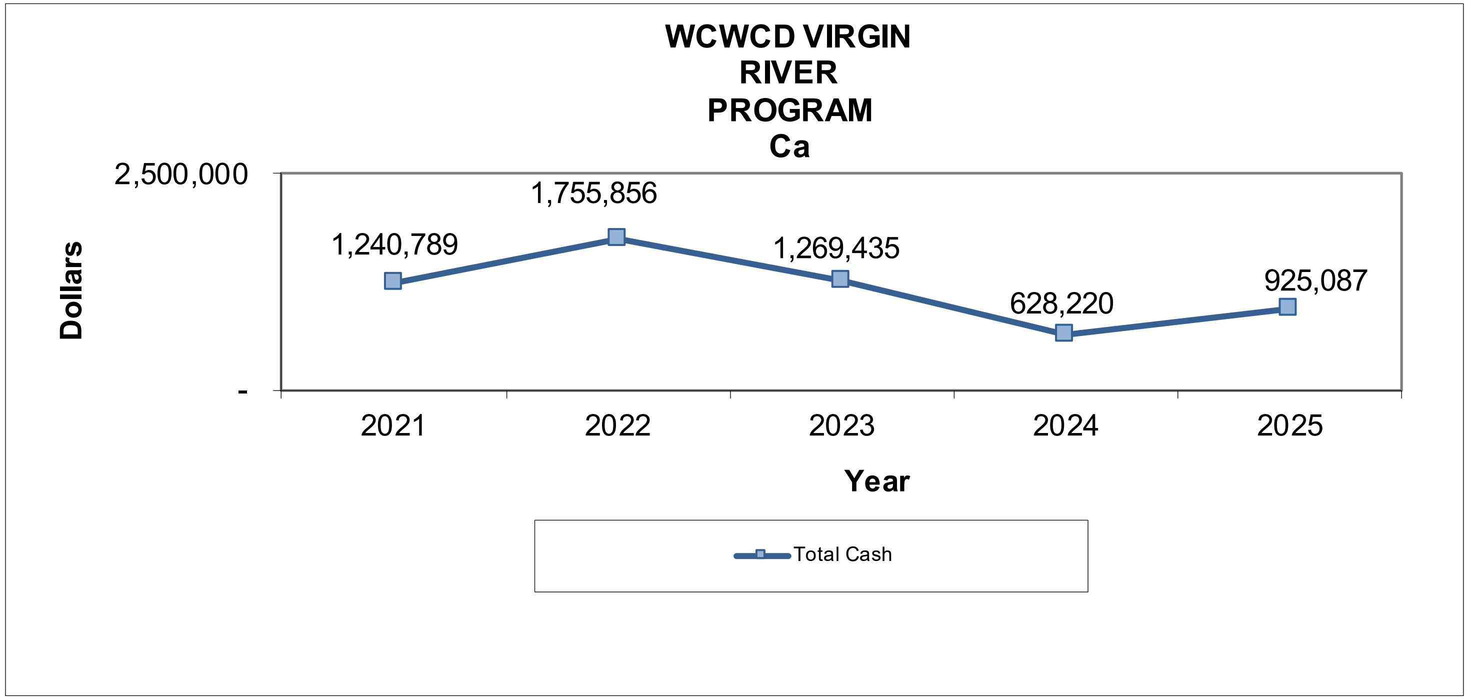
The cash has increased in each of the last five years The General Fund continues to show a strong cash position.



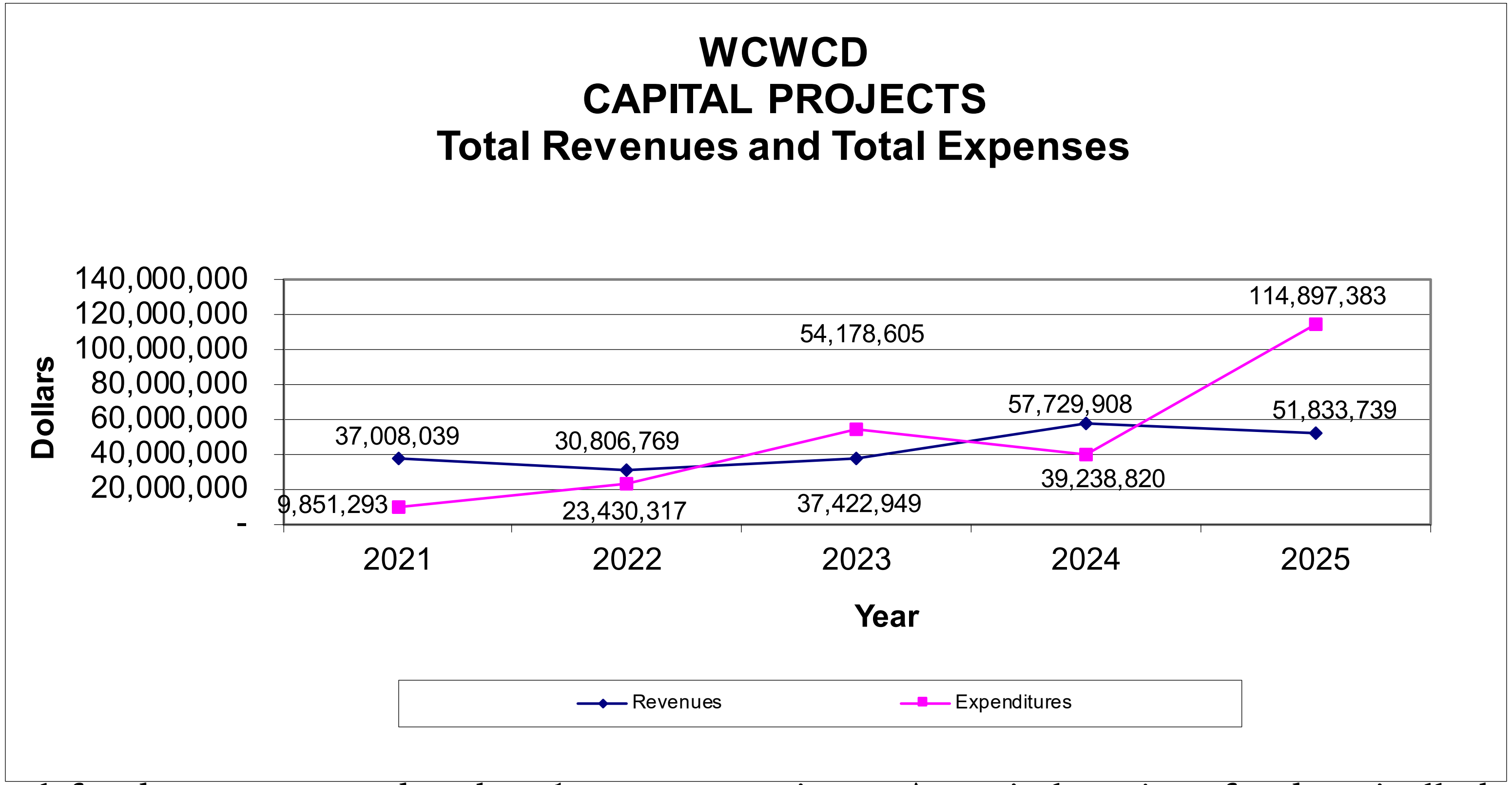
The General Fund is normally expected to break even over time. The District's General Fund has reported revenues over expenditures for the last five years. Excess funds are being moved to the Capital Projects Fund or otherwise restricted to finance water projects which are expected to increase in number and cost as population continues to grow and water scarcity continues to be a challenge.



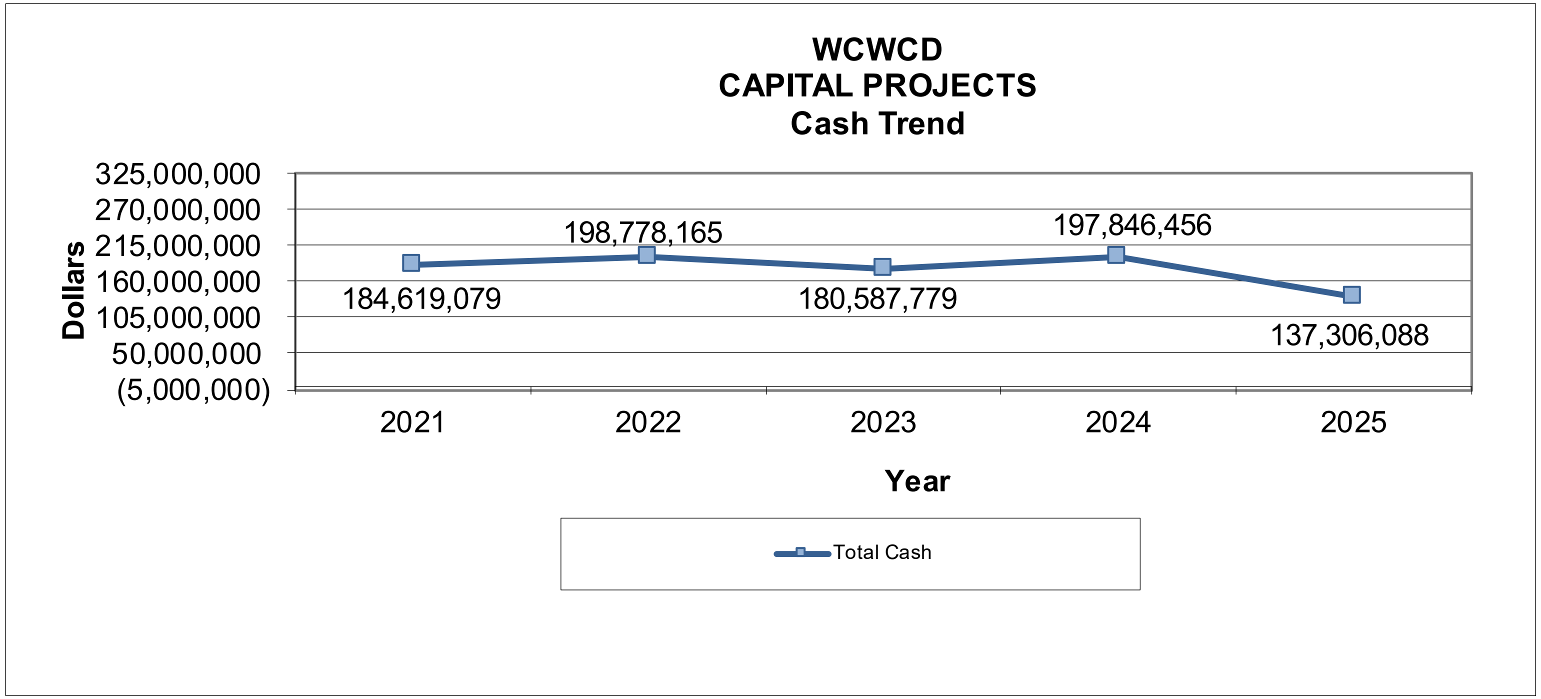
Special revenue funds are expected to break even over time. It is expected that there will be some years where revenues exceed expenses and some where expenses exceed revenue. The revenues in excess of expenses in 2021, 2022 and 2023 were partially used in 2024. Remaining amounts continue to be held in the Virgin River Program Fund and are restricted for use of projects and activity that fall in line with the purpose of the fund.



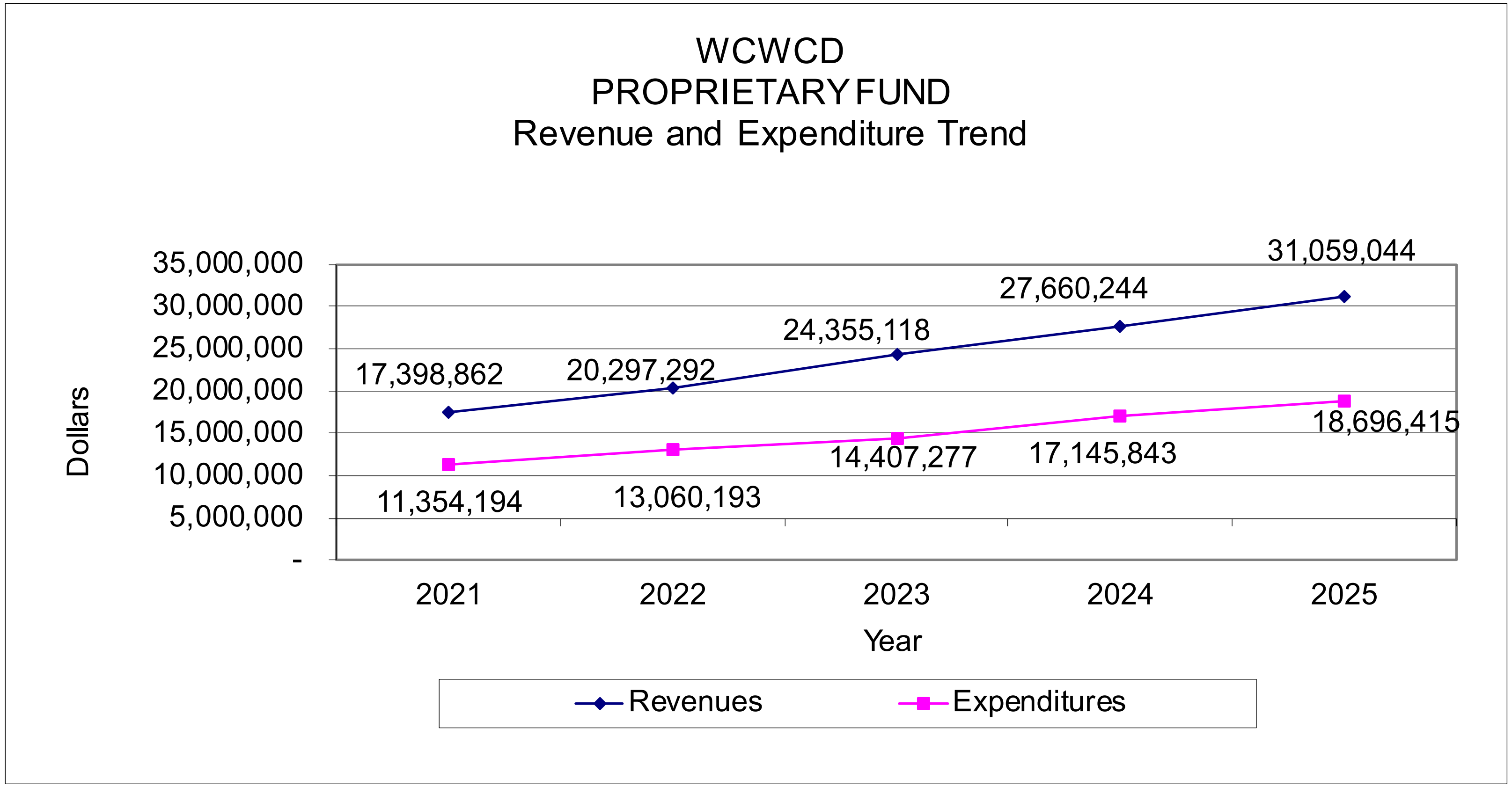
Cash can increase or decrease not only due to activity but also due to timing of receipts and liabilities, and from transfers in or out of the Fund as appropriate.



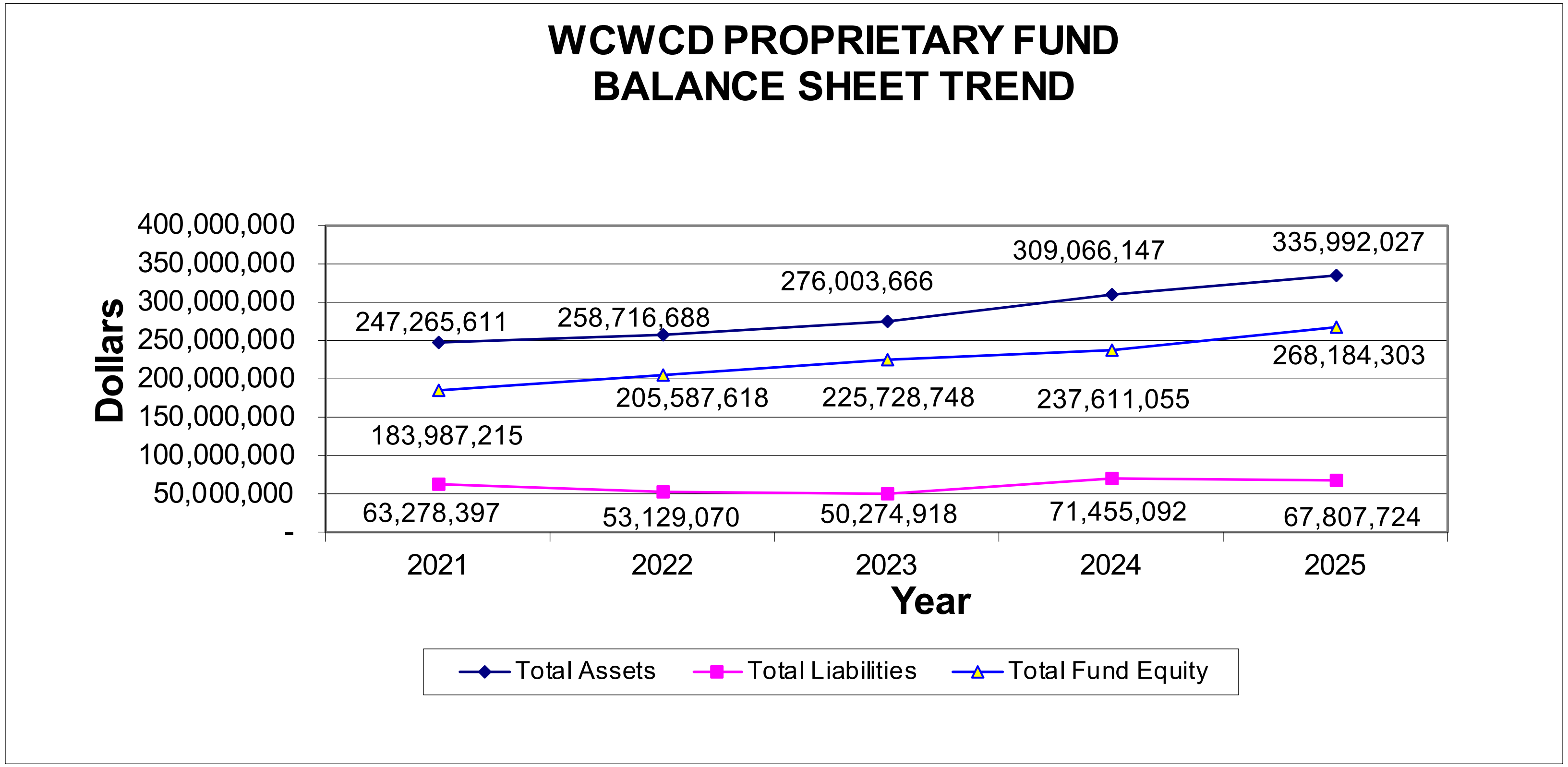
Governmental funds are expected to break even over time. A capital project fund typically builds up resources over time and then expends those accumulated funds over a relatively short period of time, due to the significant costs of capital projects. The capital projects fund has had revenue in excess of expenditures in 2021, 2022 and in 2024. In 2023 and 2025 the District incurred excess expenditures due to large capital asset projects.



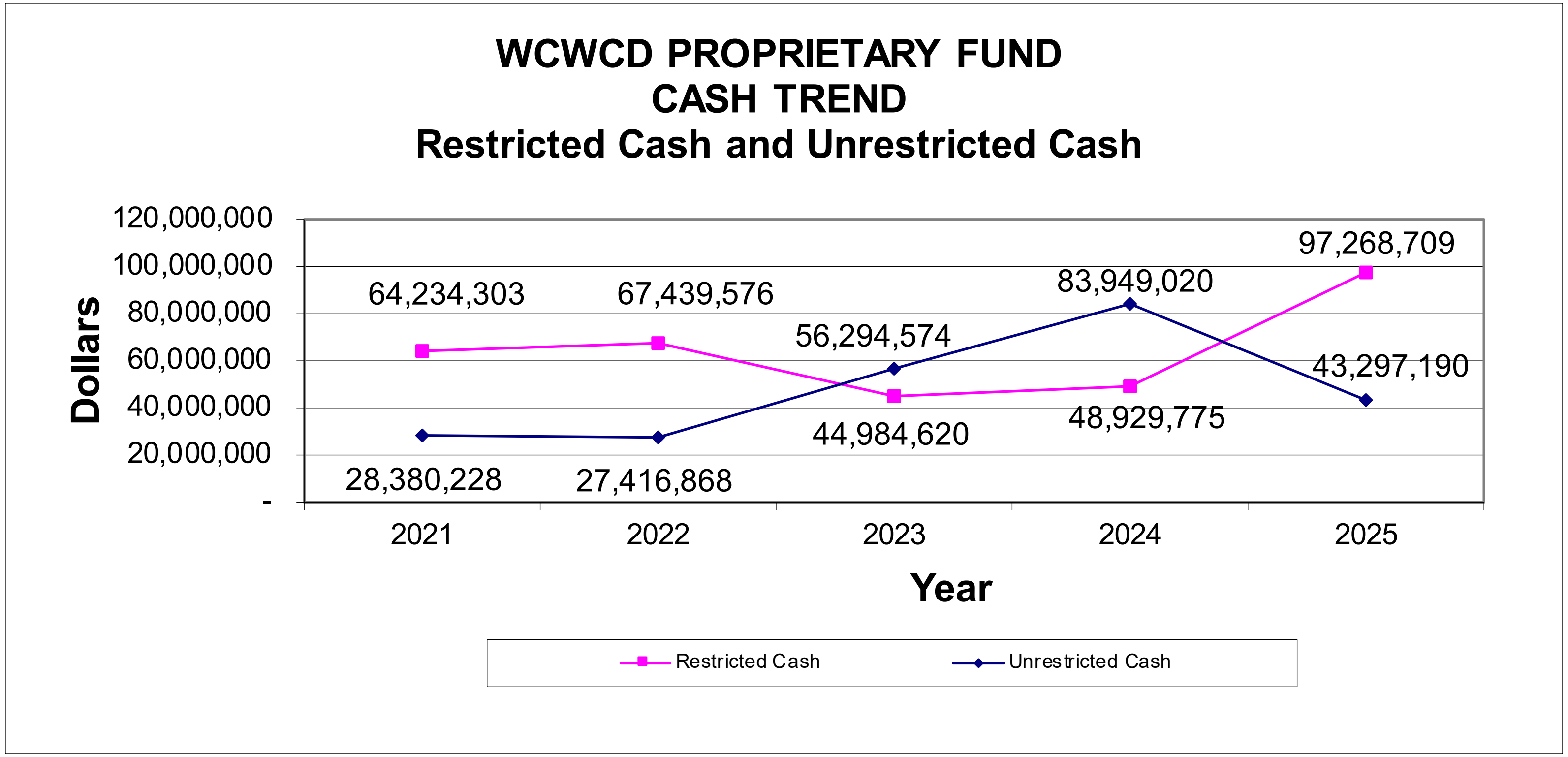
Cash in the Capital Projects Fund has built up as revenues have exceeded expenditures in three of the last five years, and any transfers into the Fund. In 2023 and 2025 cash decreased due to large capital projects and related expenditures.



Unlike governmental funds, proprietary funds are more business like in nature. They utilize full accrual accounting, tracking long term assets and liability, and should build resources over time to address long term debt and replace long term assets as they age and deteriorate. The proprietary fund has had net income in each of the last five years, helping the District to build those resources.



The five year trend for the proprietary fund has been a reasonable one with liabilities fluctuating up and down, but remaining relatively consistent while assets and equity have trended up in each of the last five years.



42% of the Districts assets in the Proprietary Fund are cash. Of those amounts, 69% is restricted and the remaining 31% are unrestricted for use however and whenever is best to meet the District's/Proprietary Fund's needs.

Questions?

Please contact:

R. McKay Hall

Phone: 888-566-1277 x272

Email: mckay.hall@squire.com

Thank You!

SQUIRE
TAX • AUDIT • ADVISORY

- We appreciate the opportunity to work with the District.
- An audit can take additional time and effort above and beyond the normal workload, and we want to thank all those who assisted with the audits.

SQUIRE
TAX · AUDIT · ADVISORY

Item 1 - Recommendation

Move to approve the 2025 audit presented by HintonBurdick CPA’s and advisors

2. Consider Appointing Kay Barnum as District Clerk

- Zach Renstrom, WCWCD General Manager
- For action

Utah Code Requirements

Per Utah Code 17B-1-631

The board of trustees of each special district shall appoint a district clerk. The district clerk or other appointed person shall attend the meetings and keep a record of the proceedings of the board of trustees.

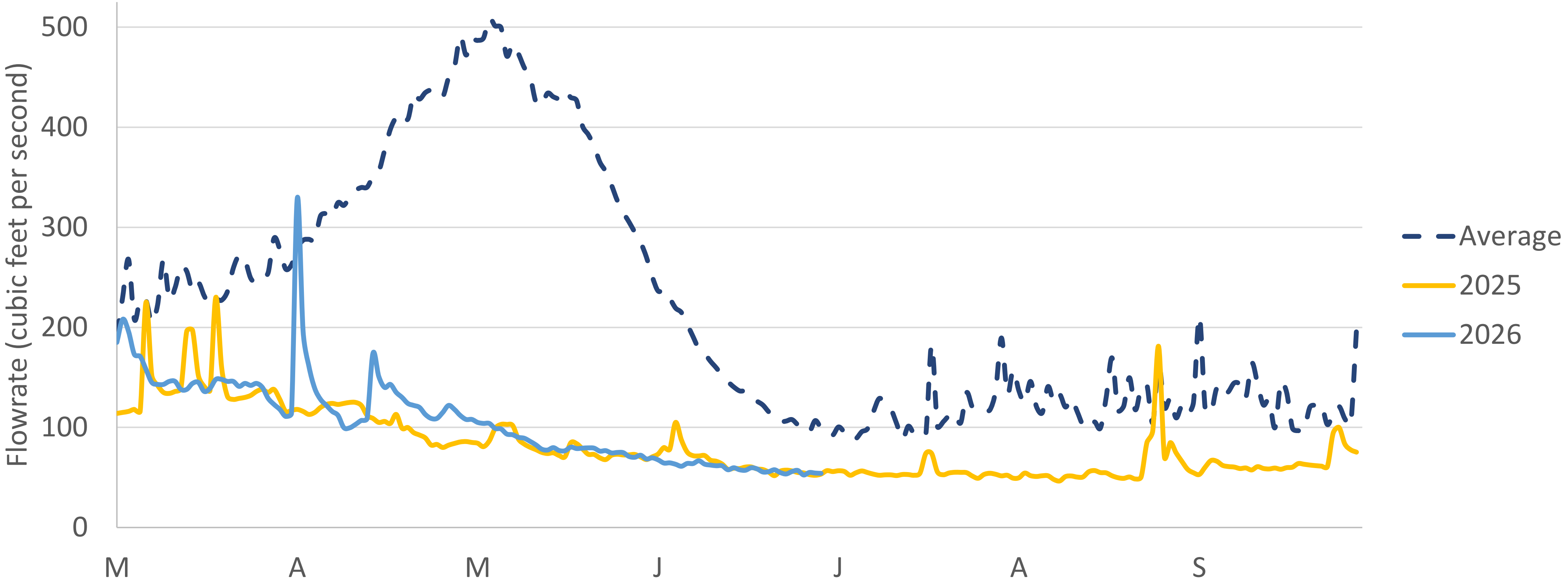
Item 2 - Recommendation

Move to approve Kay Barnum as District Clerk

3. Water Supply Update

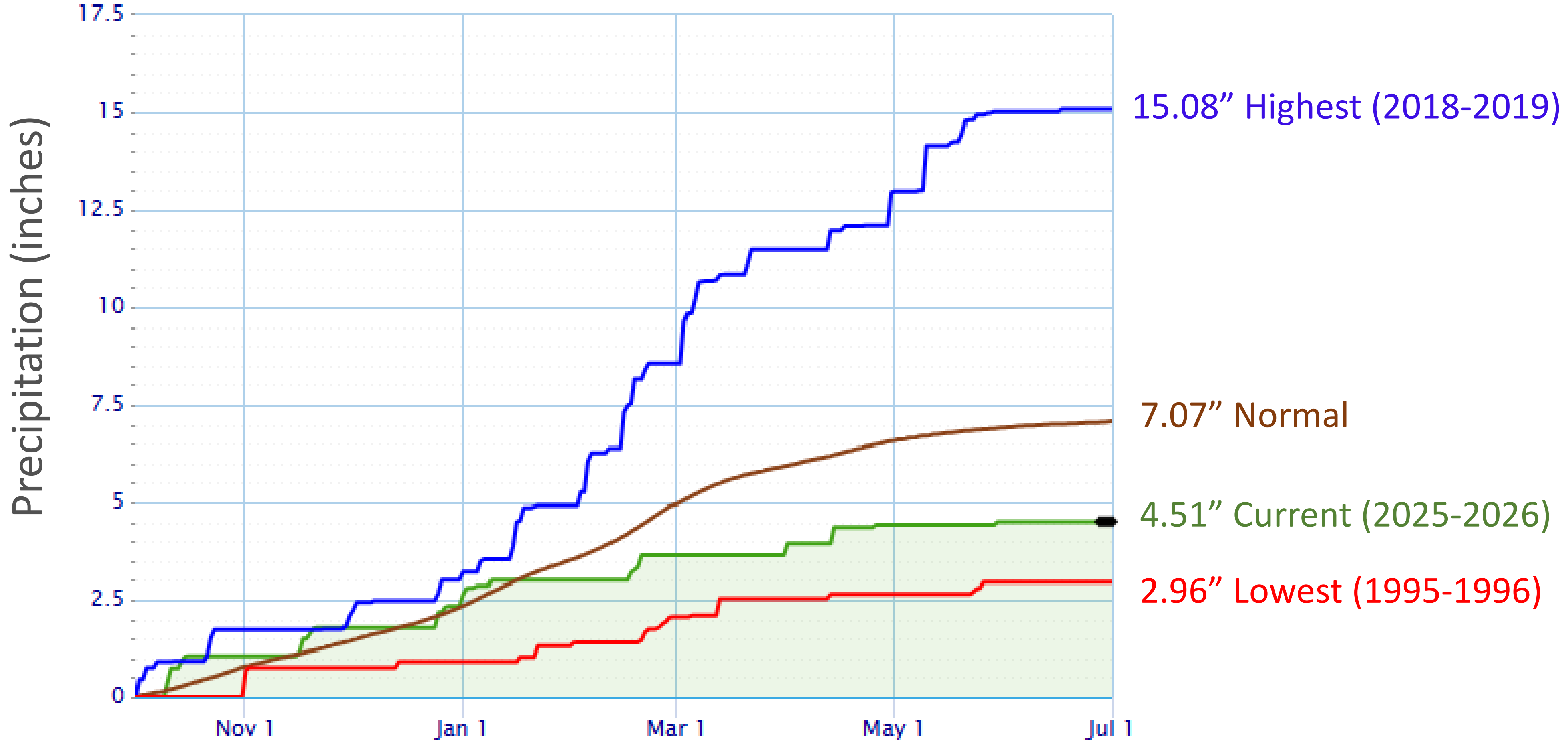
- Brie Thompson, WCWCD Associate General Manager
- For discussion

Virgin River at Virgin Flows



USGS gage 09406000 at waterdata.usgs.gov

Cumulative Precipitation – St. George

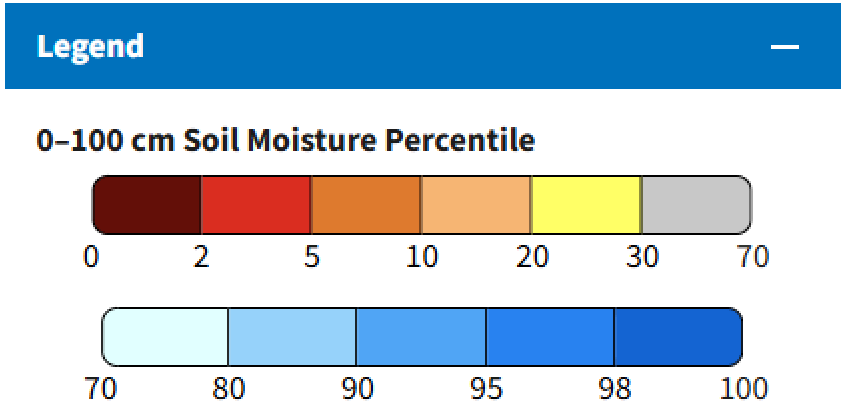


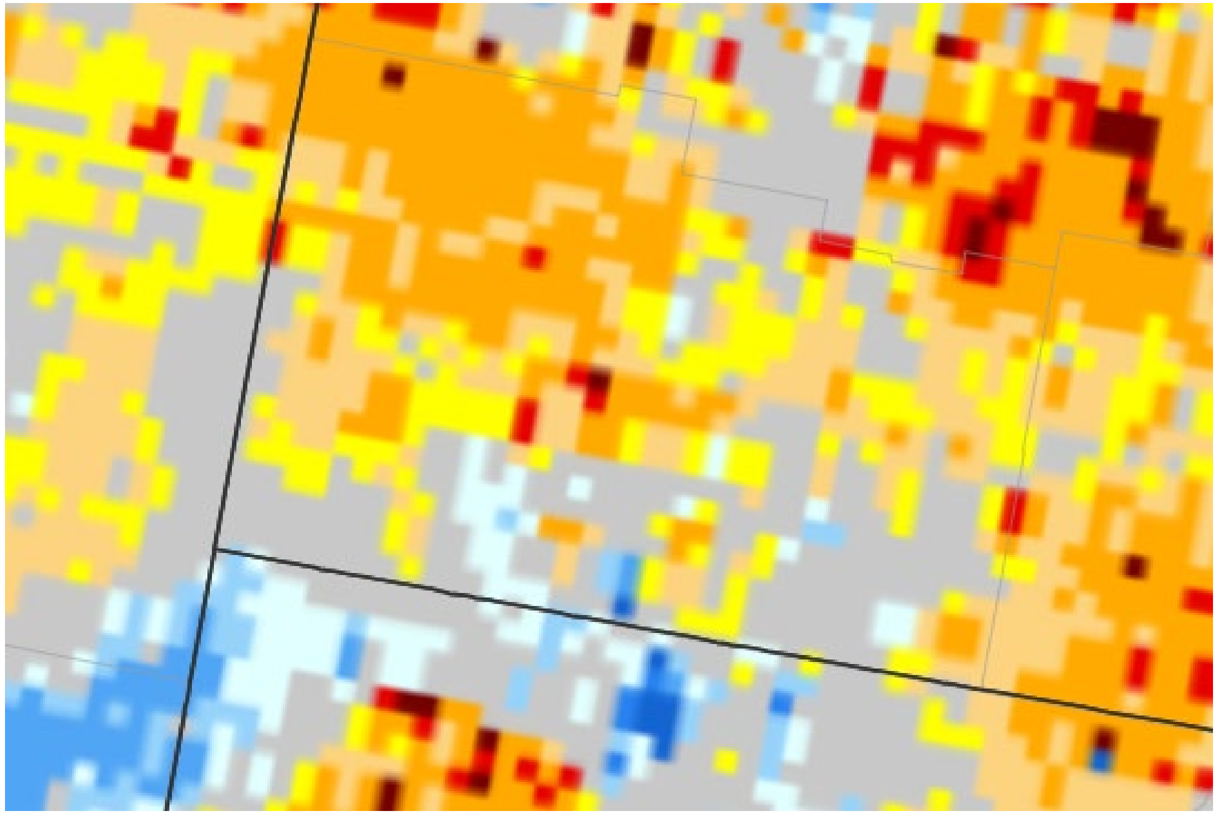
NOAA NOWdata
Powered by ACIS at weather.gov

Soil Moisture

Red and orange hues indicate drier soils.

Blues indicate greater soil moisture.

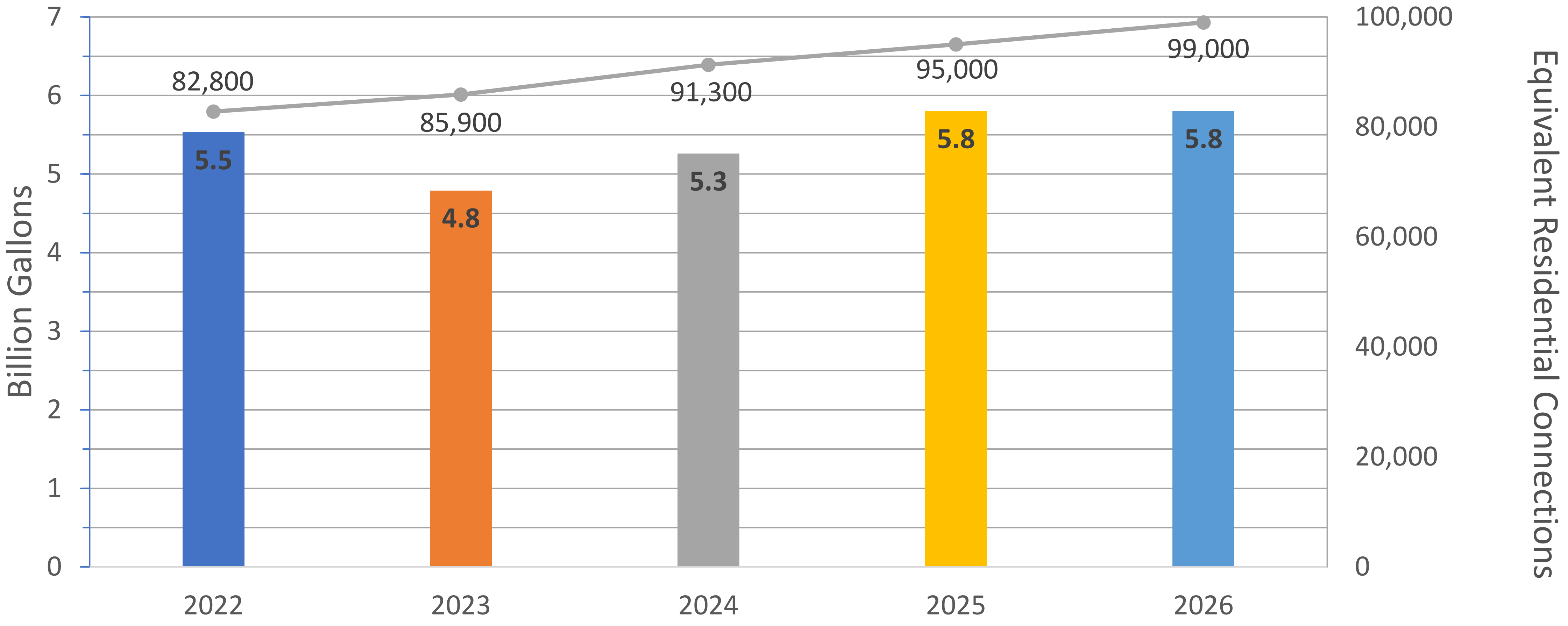




Source(s): NASA
Data Valid: 06/30/26

Drought.gov

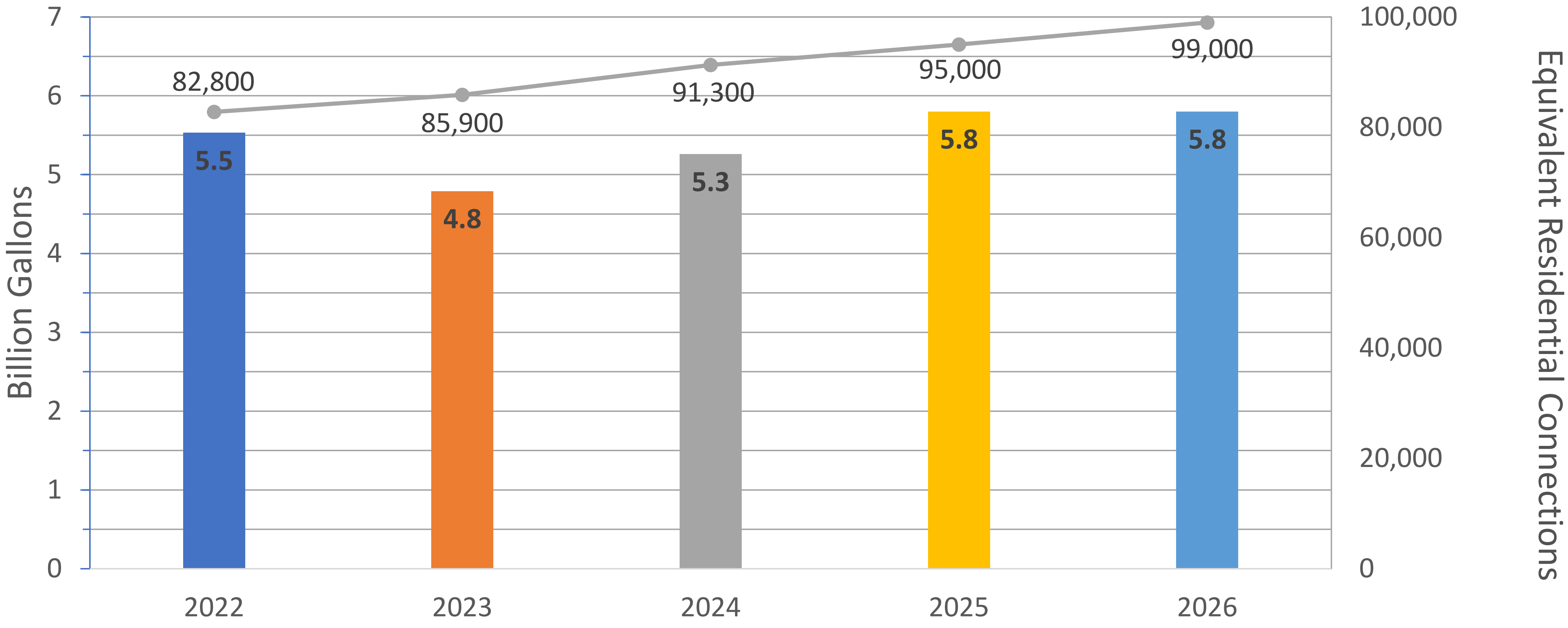
Regional Potable Water Production



Year to date production of district and municipal partners January 1st through May 31st

Regional Potable Water Production

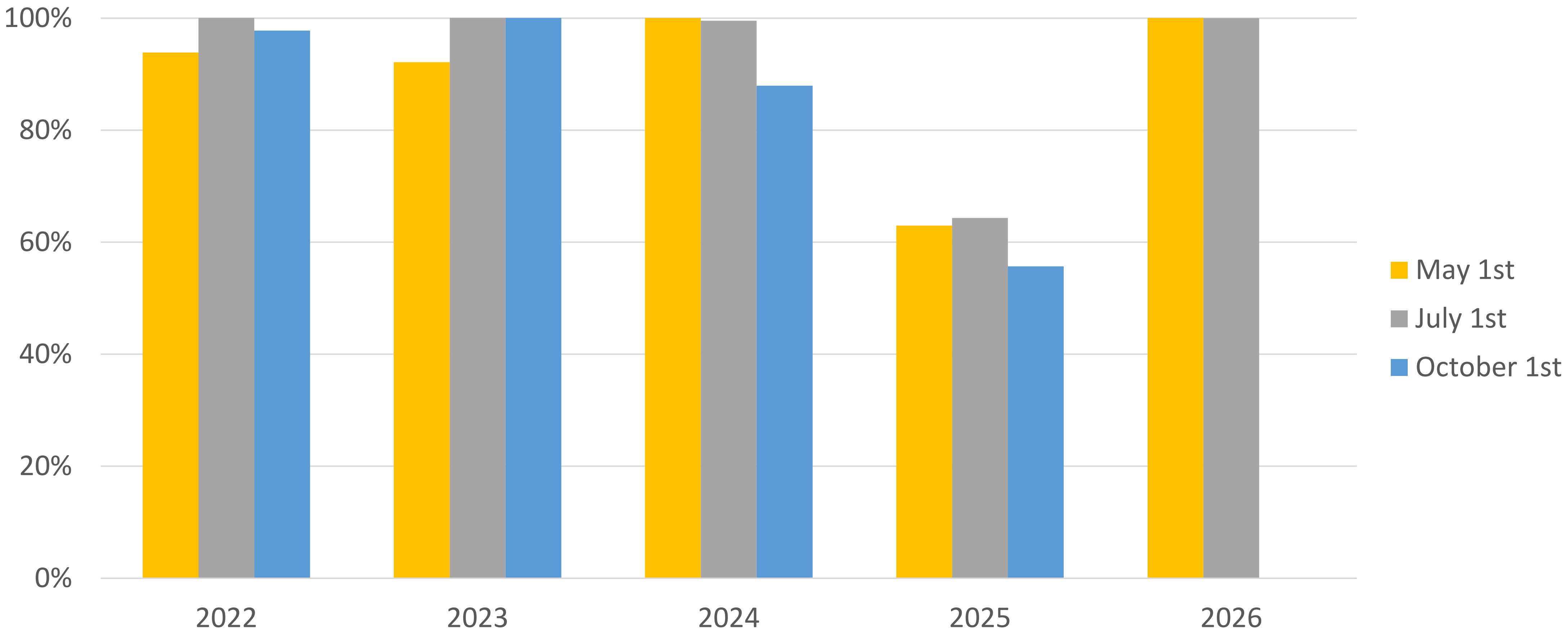
14% decrease in use per ERC comparing 2026 to 2022



Year to date production of district and municipal partners January 1st through May 31st

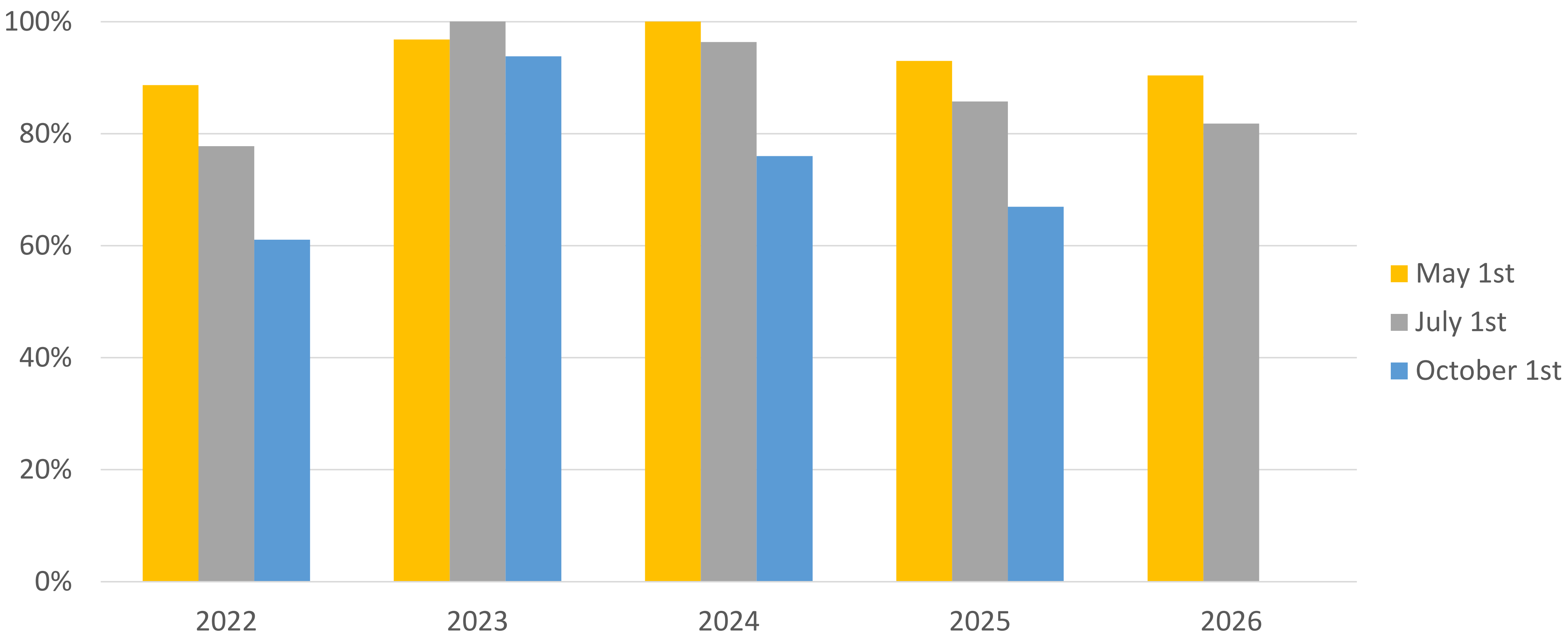
Kolob Reservoir

Drinking water supply



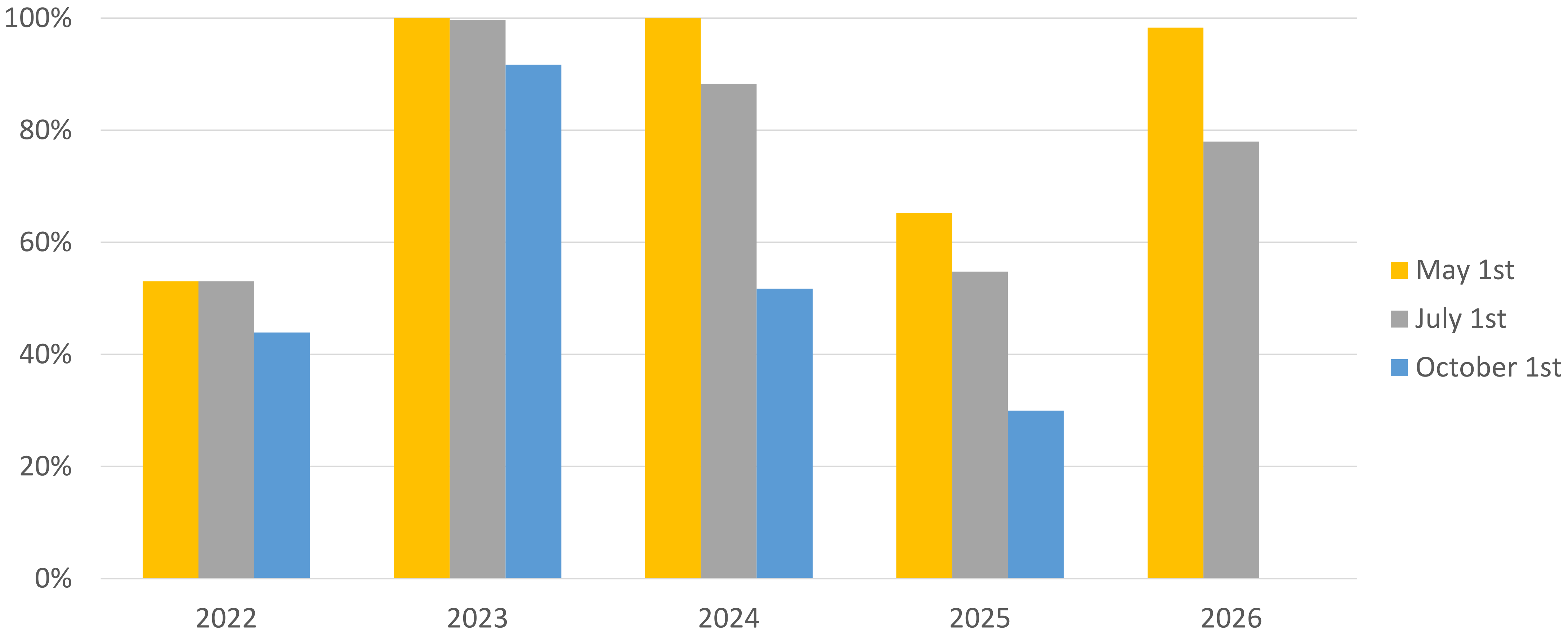
Sand Hollow & Quail Creek Reservoirs

Drinking water supplies



Gunlock Reservoir

Secondary water supply



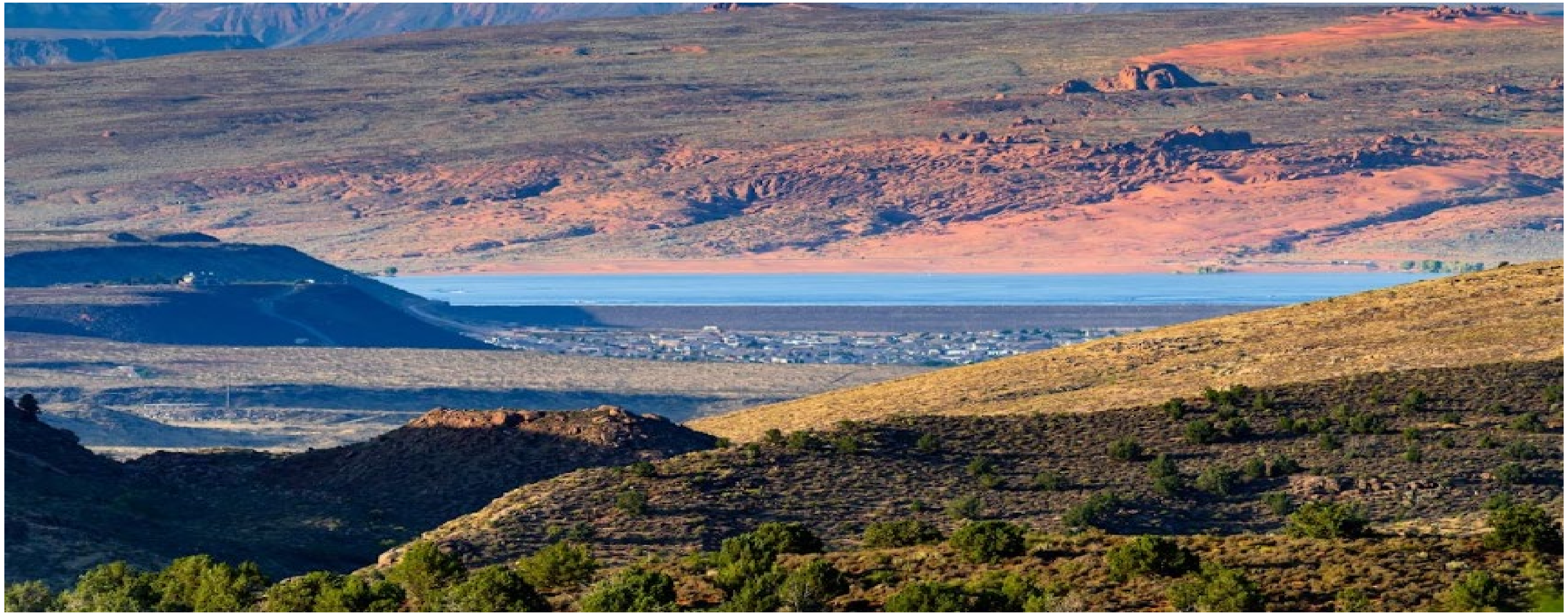
Item 1 - Summary

- Water use per connection is down 14% since 2022
- Drinking water reservoir storage is lower than last year
- Gunlock Reservoir storage is higher than last year but decreasing quickly

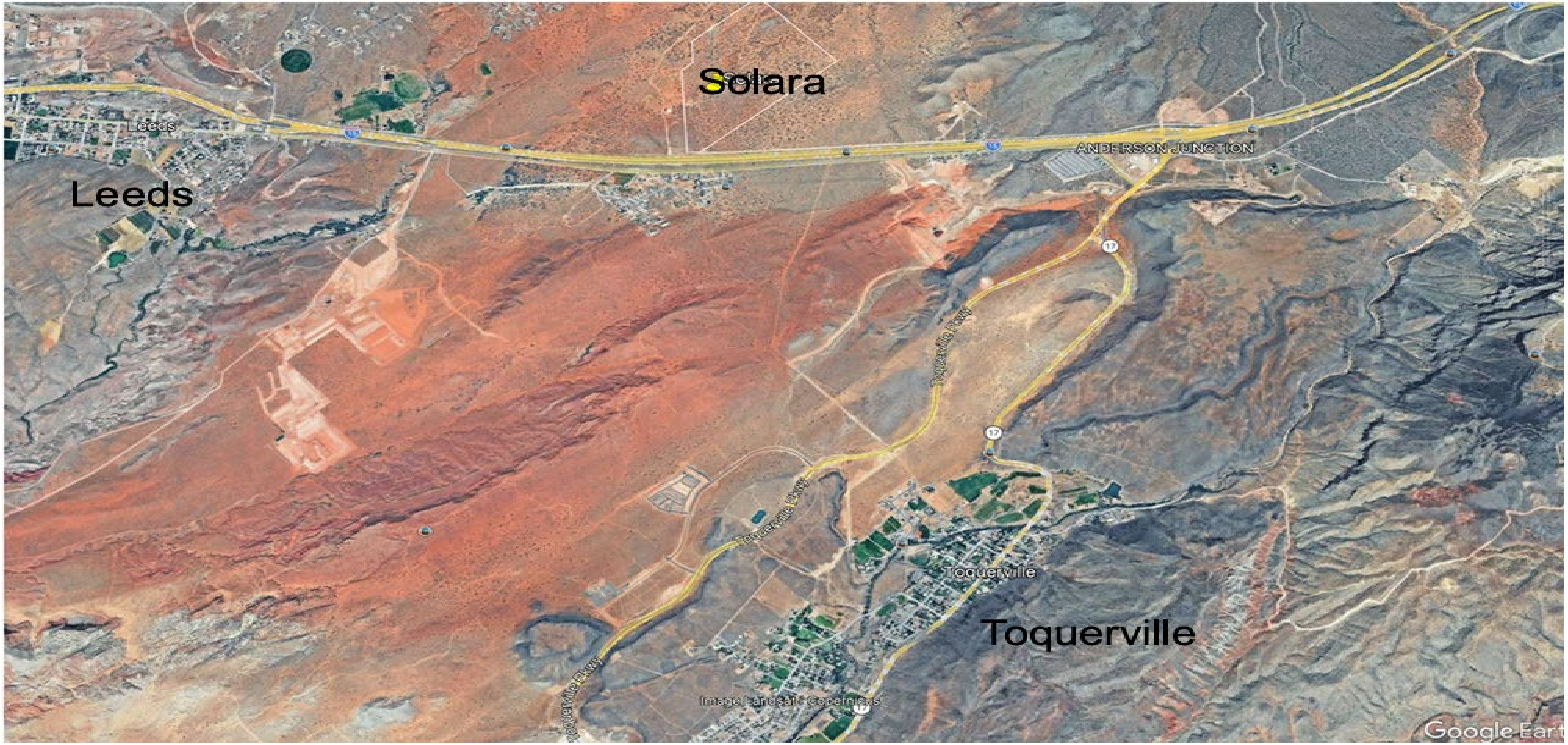
4. Consider Amending the Agreement with Solara Development

- Doug Towler and Aaron Tilton, Solara Development
- For action

SOLARA MASTER PLANNED COMMUNITY
WCWCD Development and Water Services Agreement



Solara Communities, LLC | RE Developers, LLC | July 6, 2026



Solara
Leeds
ANDERSON JUNCTION
Toquerville Pkwy
Toquerville
Image Landsat / Copernicus
Google Earth

Review of WCWCD/Solara History-Action Items - 3 years

WCWCD Board or Staff Request

- WCWCD/Solara project is named specifically to be used for the Solara project 14" main line from Cottam Well tank state grant application
- 2 years 4 Board meetings to get to final water supply agreement for first 75 units then requested annexation exploration w/Toquerville
- Resolve concerns over impacts Solara may have on Toquerville

Solara Fulfilment of Requests

- WCWCD is awarded $2 million grant to be used specifically for the Solara project
- Multiple Engineering Studies - 27 page legal analysis – Concluded Solara will be building all new infrastructure without using any existing capacity on Toquerville' s systems
- 3 Public hearings w/Toquerville resulting in Solara signing Pre-Annexation Agreement and Development Agreement, Annexation Notice of Intent

Concerns Addressed

(Excerpts From WCWCD Aug. 2025 Board Meeting)

- Trustee Fawcett said "*that another issue for him is once a development is in place and the city wants to annex it, there is no real protection to ensure that annexation happens. Developments on city boundaries often use city services without paying for them.*"

- "*But once they get water, they can potentially do anything they want unless there are standards and controls in place.*"

- Ben Billingsley, City Manager - "*This is the city's request. The reason behind this is that the development will create a significant impact on city resources outside of the development. Without associated revenue, Toquerville lacks the means to defray the costs of the infrastructure impact.*"

Concerns Addressed

(Excerpts From WCWCD Aug. 2025 Board Meeting) continued

- Solara's third-party engineering studies and legal analysis concluded that there are no impacts to Toquerville that Solara is not already mitigating and would pay all valid impact fees

- Solara is signing the Pre Annexation Agreement and Development Agreement that Toquerville City passed, Annexation Notice of Intent Submitted

Toquerville/Solara Development Agreement

- Entitlements under Toquerville Development Agreement are virtually identical to the County Entitlements already given/would be given to Solara
    - Total units remains the same 1500 - density 7.5 to the acre
    - Solara benefits the same / indifferent to either jurisdiction
    - 1 material difference, 100 nightly rentals from City, 200 from County
- Solara has signed the Development Agreement passed by the City
    - It is an Exhibit to the Pre-Annexation and becomes the Master Planned Development Overlay entitlement to the project if the Toquerville City completes annexation

Can Annexation Be Completed By the City?

- Not a Question of Impacts, Or Entitlements, those have been addressed

- Annexation Significant Uncertainties

Appropriate Toquerville Annexation Uncertainties

- The Pre-annexation Agreement passed by Toquerville contains no requirement to complete annexation

- "The City shall process, consider, and act upon the Petition in accordance with the Annexation Process. *Nothing in this Agreement shall be construed to require the City to approve the Petition, to take action within any particular time period, or to refrain from continuing the matter, and City Council retains sole and absolute legislative discretion to approve, conditionally approve, or deny the Petition as permitted by law.* Owner acknowledges that the time required to process and consider the Petition may be affected by, among other things, the completeness or accuracy of the Petition materials, the need for additional information or revisions, City staffing and scheduling constraints, coordination with third parties, statutory notice and hearing requirements, boundary adjustments, public comment, the filing or resolution of any protest, and any other circumstances permitted by law. Owner shall cooperate in good faith and provide all information, documents, corrections, fees, and revisions reasonably requested by the City to facilitate the City's review"

Timeline Issues Solara 2020-2027

Aug 2025 4th Board meeting/ request final approval

Const. begins Oct 2026 Solara 75, Total entitlements needed for funding

Contract for first delivery of lots Oct 2027

75 Units Entitled Dec 2025

PID issued March 2026

Remaining Entitlements from County Est date Oct/Nov 2026

Bond issuance Oct/Nov 2026

Washington County Milestones

Lot deliveries would be missed and project delays from annexation process that may not ever be accomplished

?

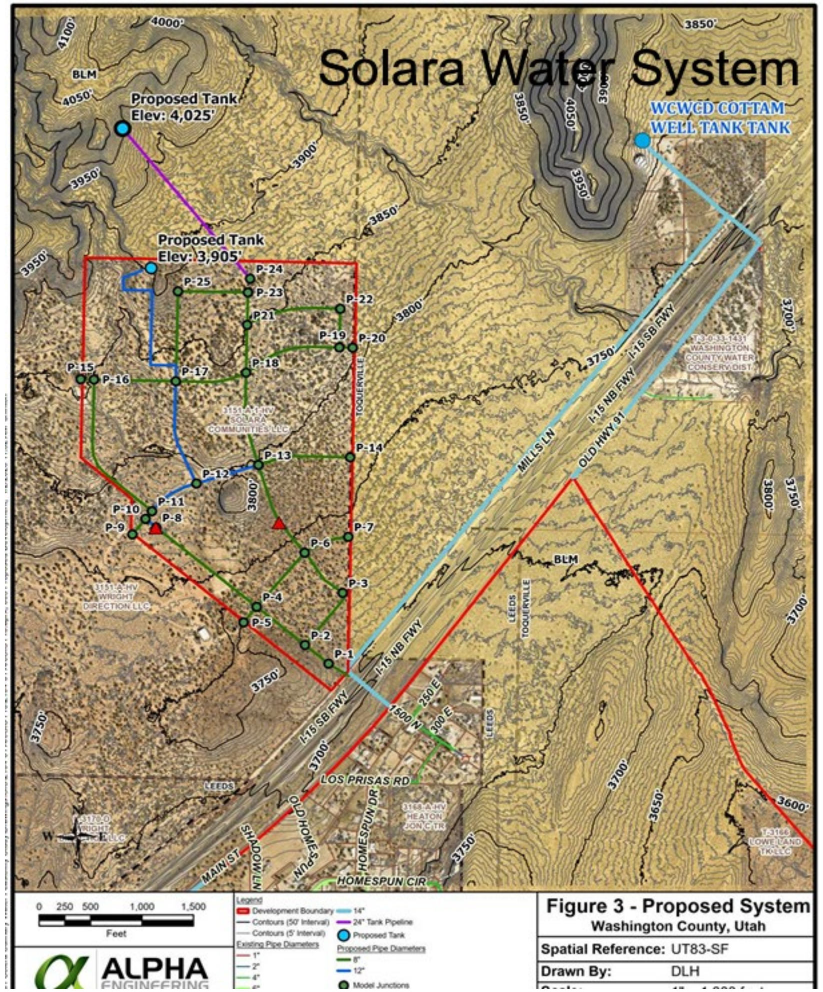
Toquerville first Annex attempt 2020 failed - 2nd Annexation Attempt Approaching 2 year for entitlements, unknown if ever?

Toquerville Annexation Issues

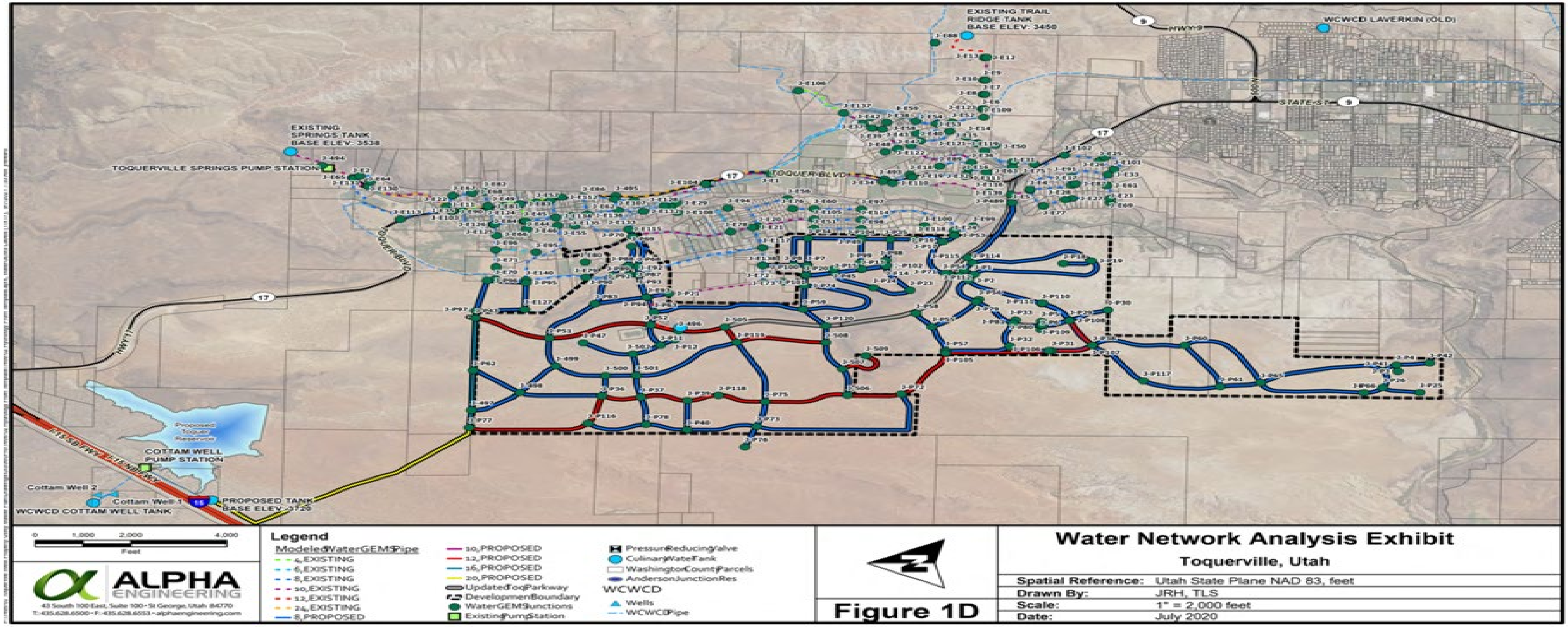
SOLARA

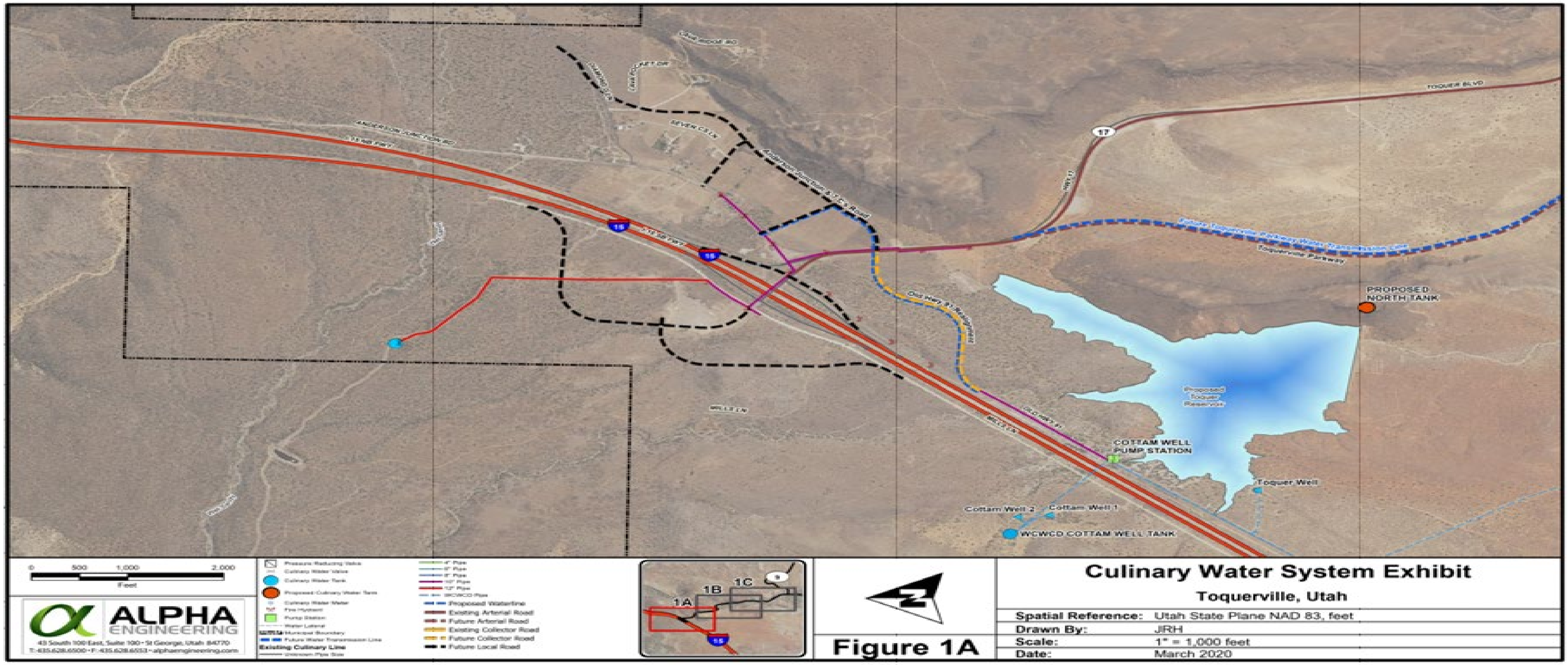
Solara's Request Solves Toquerville, WCWCD and Solara Concerns

- Solara Agreement with WCWCD is amended to allowed a dual track to keep commercial contracts valid and meet financial obligations
  - Priority given to Toquerville to work out their unknowns as it relates to, accepting an annexation petition from Solara and complete the required public comments and protest requirements with no obligations to approve
  - Amend and pass WCWCD water agreement with language that allows a concurrent dual-track for entitlements in either the County or the City in the case Toquerville does not complete annexation
  - Provides protections to Toquerville that Solara will pursue annexation under equal entitlements assumptions until Solara annexation is completed or the petition rejected by Toquerville



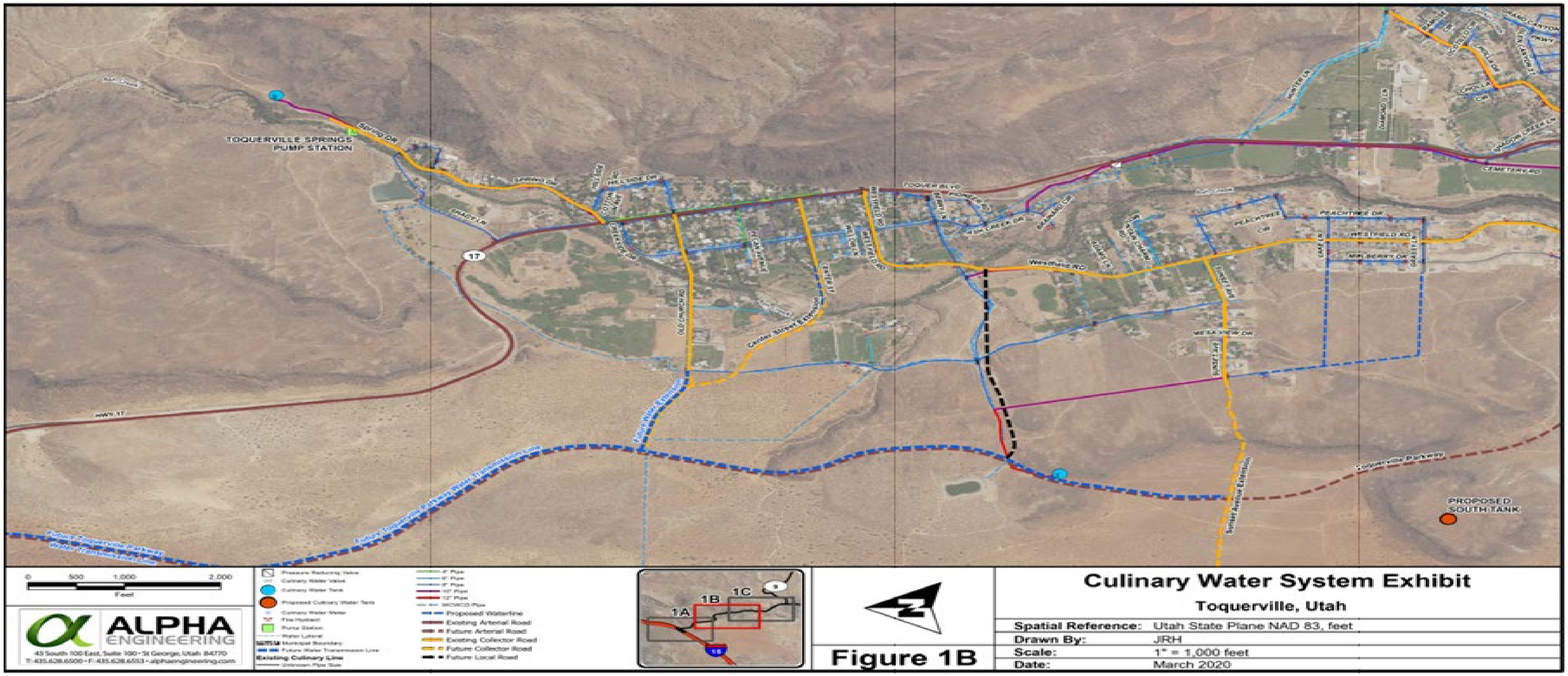
Solara Water System
Proposed Tank
Elev: 4,025'
Proposed Tank
Elev: 3,905'
WCWCD COTTAM
WELL TANK TANK
BLM
I-15 NB FWY
I-15 SB FWY
OLD HWY 91
MILLS LN
LOS PRISAS RD
HOMESPUN CIR
HOMESPUN DR
MAIN ST
SHADOW LN
LEEDS
TOQUERVILLE
Figure 3 - Proposed System
Washington County, Utah
Spatial Reference: UT83-SF
Drawn By: DLH
ALPHA
ENGINEERING


EXISTING TRAIL RIDGE TANK BASE ELEV: 3450
WCWCD LAVERKIN (OLD)
EXISTING SPRINGS TANK BASE ELEV: 3538
TOQUERVILLE SPRINGS PUMP STATION
TOQUERVILLE BLVD
STATE ST
Proposed Toquer Reservoir
COTTAM WELL PUMP STATION
Cottam Well 2
Cottam Well 1
WCWCD COTTAM WELL TANK
PROPOSED TANK BASE ELEV: 3720
Legend
Modeled WaterGEMS Pipe
4, EXISTING
6, EXISTING
8, EXISTING
10, EXISTING
12, EXISTING
24, EXISTING
8, PROPOSED
10, PROPOSED
12, PROPOSED
16, PROPOSED
20, PROPOSED
Updated Toq Parkway
Development Boundary
WaterGEMS Junctions
Existing Pump Station
Pressure Reducing Valve
Culinary Water Tank
Washington County Parcels
Anderson Junction Res
WCWCD
Wells
WCWCD Pipe
ALPHA ENGINEERING
Figure 1D
Water Network Analysis Exhibit
Toquerville, Utah
Spatial Reference: Utah State Plane NAD 83, feet
Drawn By: JRH, TLS
Scale: 1" = 2,000 feet
Date: July 2020

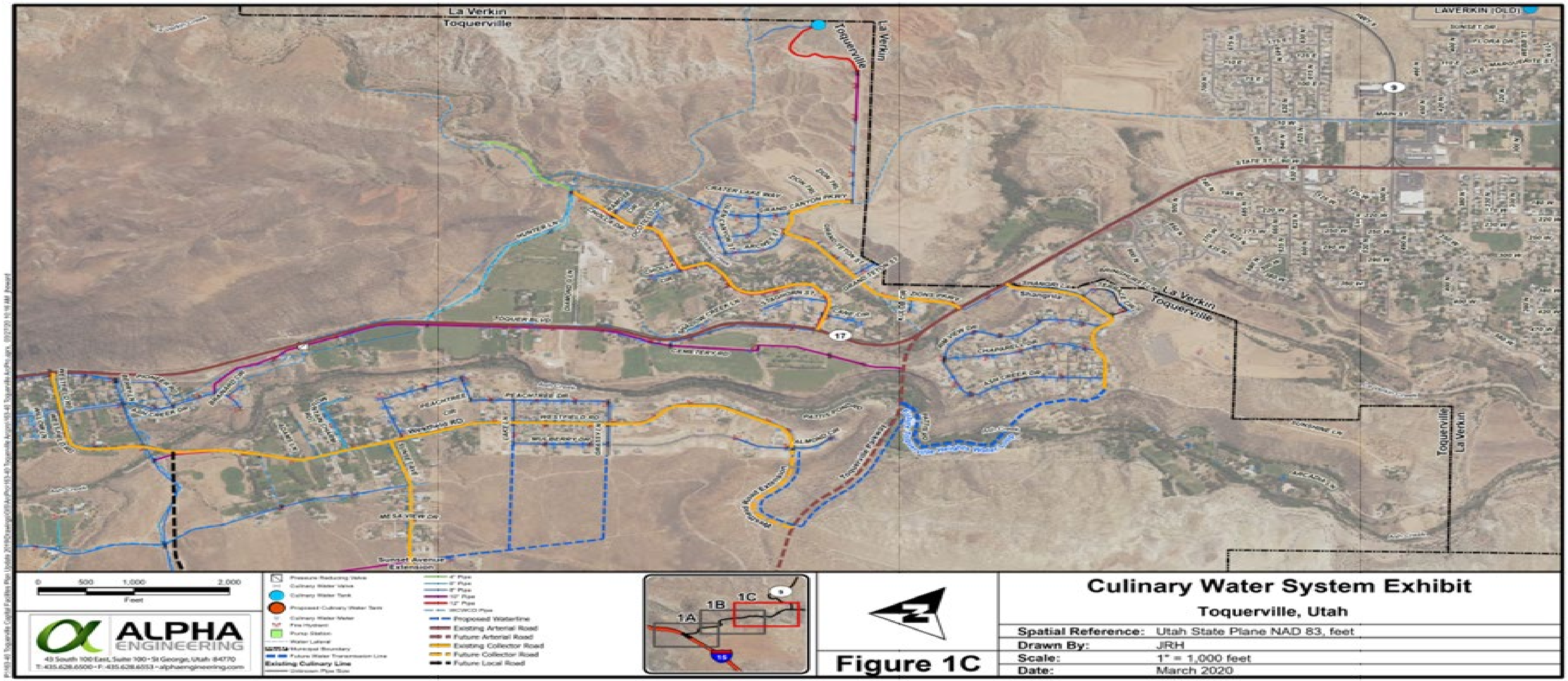


Culinary Water System Exhibit
Toquerville, Utah
Spatial Reference: Utah State Plane NAD 83, feet
Drawn By: JRH
Scale: 1" = 1,000 feet
Date: March 2020
Figure 1A
ALPHA ENGINEERING
PROPOSED NORTH TANK
COTTAM WELL PUMP STATION
Toquer Well
Cottam Well 2
Cottam Well 1
WCWCD COTTAM WELL TANK
1A
1B
1C

SOLARA


TOQUERVILLE SPRINGS PUMP STATION
PROPOSED SOUTH TANK
ALPHA ENGINEERING
Culinary Water System Exhibit
Toquerville, Utah
Spatial Reference: Utah State Plane NAD 83, feet
Drawn By: JRH
Scale: 1" = 1,000 feet
Date: March 2020
Figure 1B
1A
1B
1C

SOLARA



La Verkin
Toquerville
LAVERKIN (OLD)
Culinary Water System Exhibit
Toquerville, Utah
Spatial Reference: Utah State Plane NAD 83, feet
Drawn By: JRH
Scale: 1" = 1,000 feet
Date: March 2020
Figure 1C
ALPHA ENGINEERING
1A
1B
1C
Sunset Avenue Extension
MESA VIEW DR
PEACHTREE DR
WESTFIELD RD
TOQUER BLVD
CEMETERY RD
ALMOND LN
Toquerville Parkway
Shangrila

5. Consider Annexation Agreement with Angell Springs Special Service District

- Whit Bundy, WCWCD Staff Engineer
- For action

Angell Springs Special Service District (ASSSD)

Background

- Due to ongoing system challenges, Washington County requested the district evaluate the feasibility of connecting ASSSD to the district's water system
- Feasibility study done by Jones and Demille Engineering

ASSSD Connections

89 CURRENT

27 STANDBY

9 ALLOTMENTS

ASSSD Infrastructure

- Current system
  - 2 springs – may not meet peak summer demand
  - 1 well – does not meet water quality standards
  - 2 drinking water tanks – inadequate pressure
  - PVC Class C distribution system – lower pressure rated pipe than used by the district

Feasibility Study – Two Options

Option 1

Angell Springs Operated

- Treatment would be added to the existing well for radium
- Additional looping of the current distribution system

Option 2

District Operated

- Connection to the Quail to Cottam pipeline in Leeds on Main Street
- Existing distribution system would be replaced

Feasibility Study Costs

Angell Springs Assets

- Cash in the Bank: $289,000
- 2.28 acres of property: Value unknown

Angell Springs Liabilities

- Approximately $4,226,000
  - System replacement: $3,689,000
  - Engineers: $105,000
  - Standby fee payers: $432,000

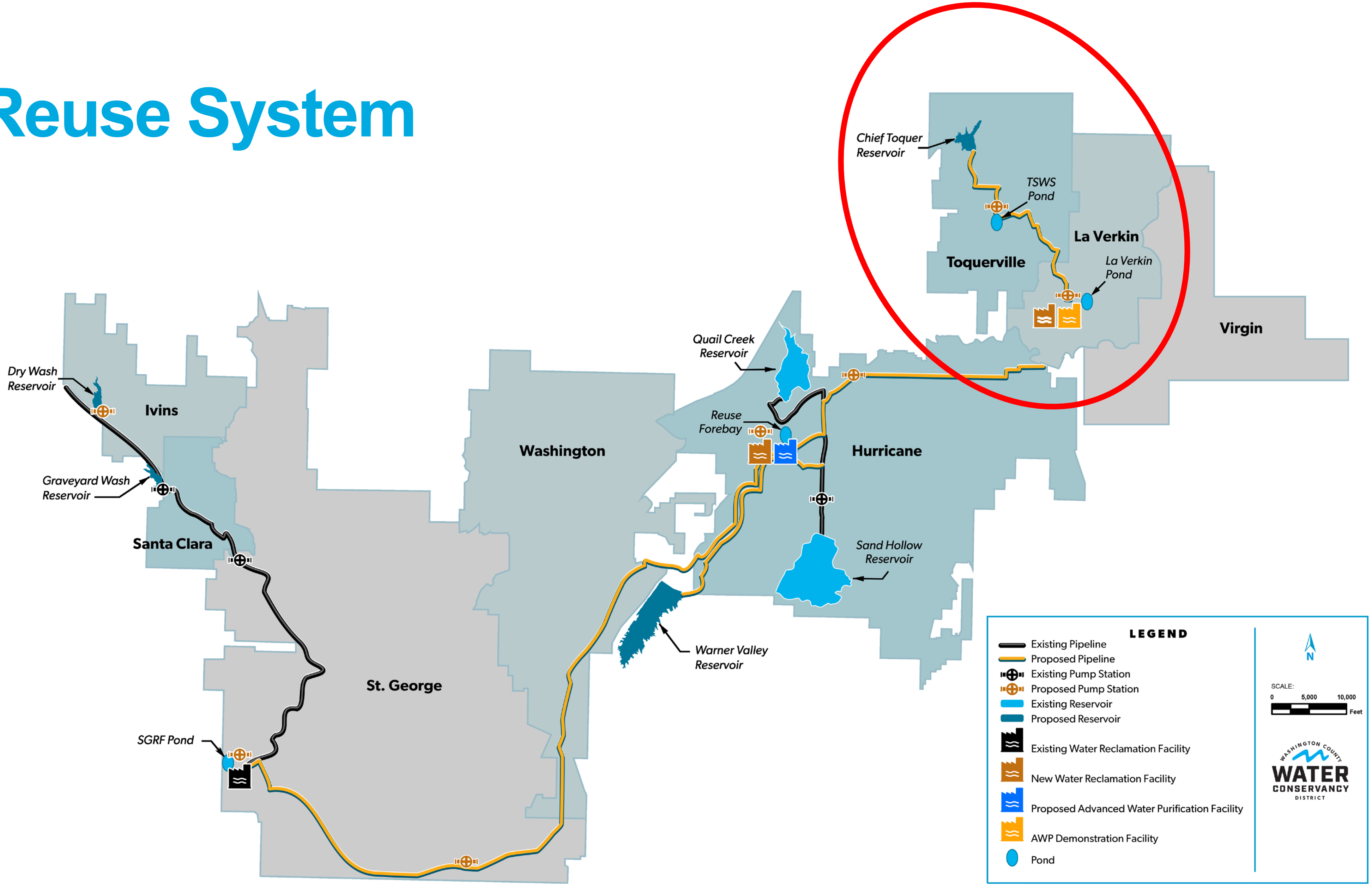
Item 5 - Recommendation

Move to support a preliminary agreement, contingent upon an approving vote of Angell Springs Special Service District members, for the district to annex their water system

6. Consider Construction Agreement for the La Verkin Pond and Pipeline Project

- Trinity Stout, WCWCD Reuse Project Manager
- For action

East Side Reuse System



Project Summary

- LaVerkin Pond
  - 7.1 MG lined storage/settling pond

- CPWRF to LV Pond Pipeline
  - 6300 l.f. 18" DIP

- LaVerkin Secondary System Improvement Project
  - LaVerkin Pump Station
  - LaVerkin Distribution Pipelines

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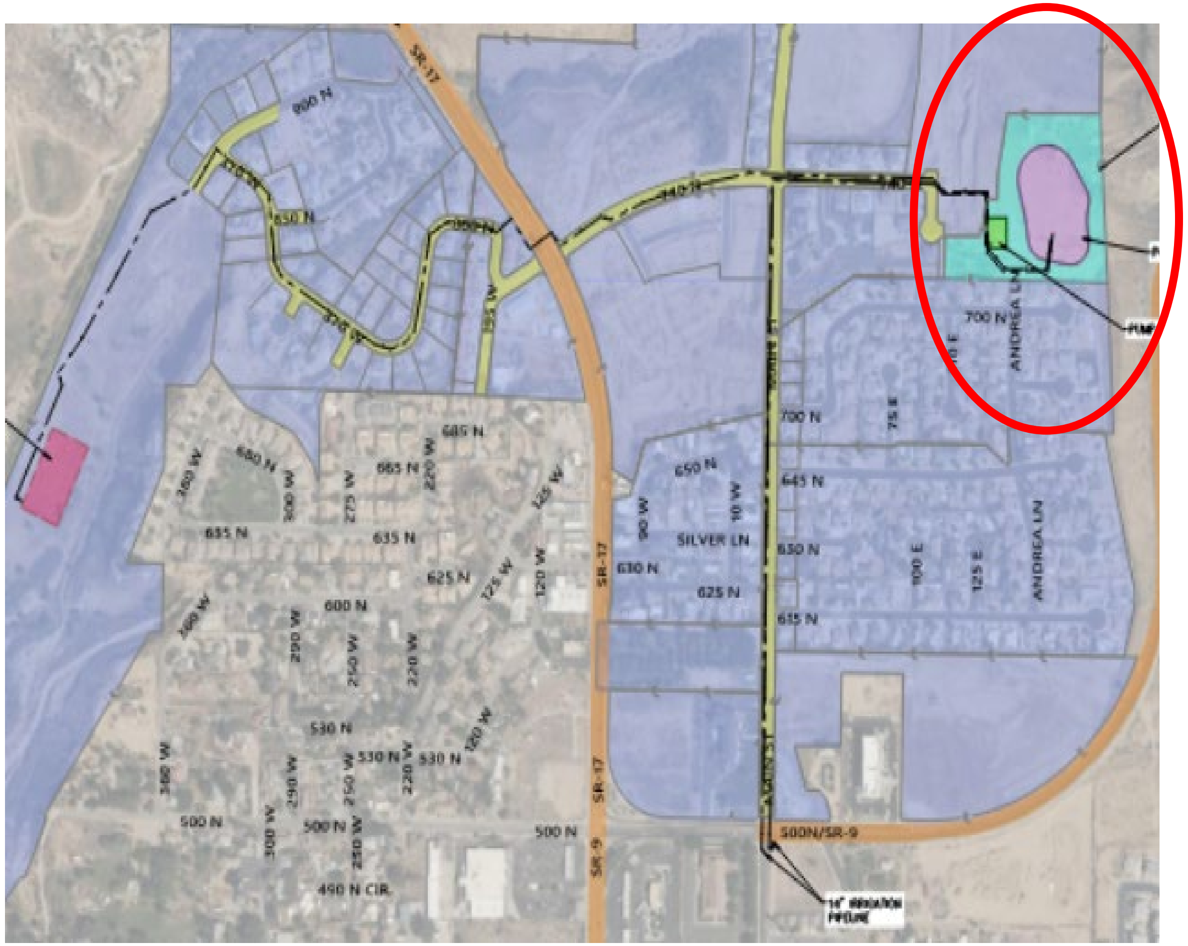

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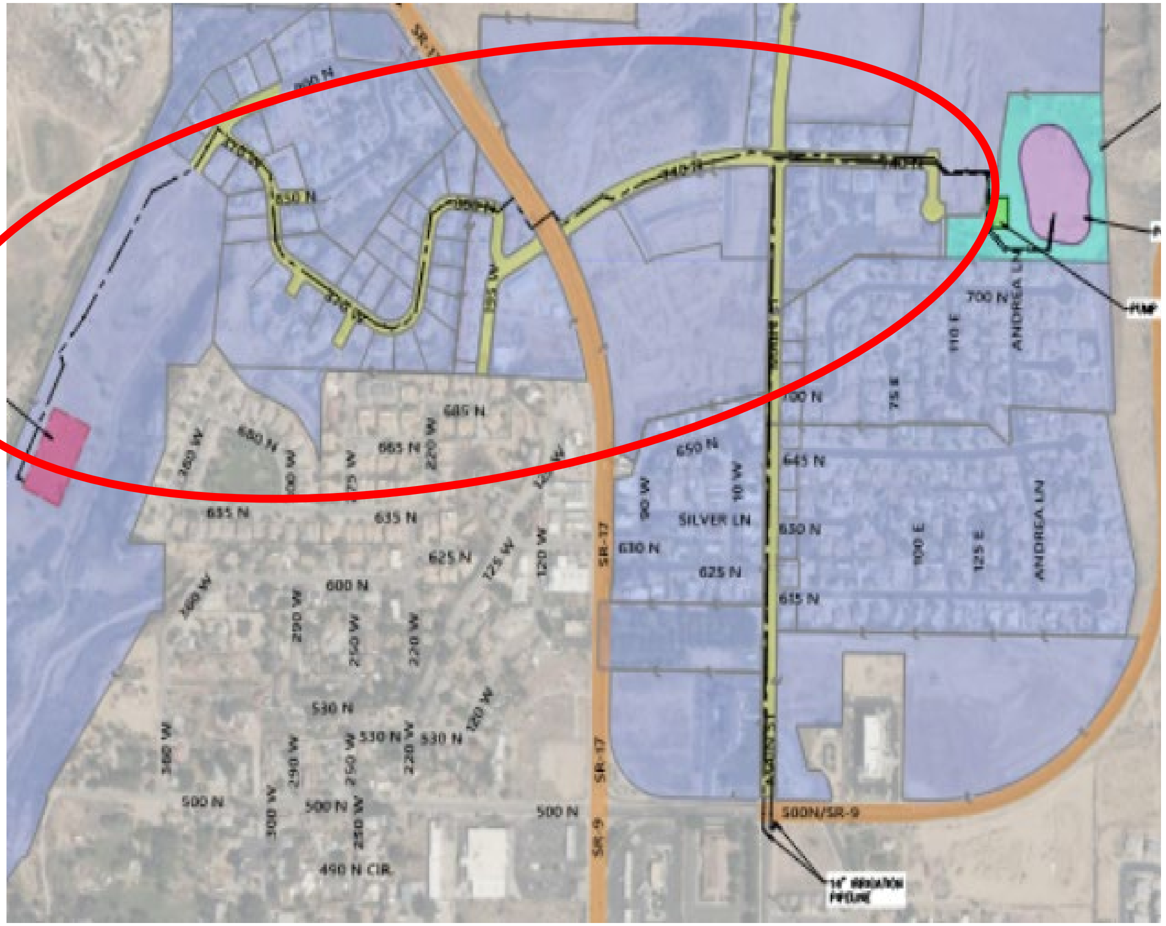

Project Summary

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  - LaVerkin Pump Station
  - LaVerkin Distribution Pipelines

Bid Tabulation

Contractor	Bid Price
Whitaker Construction	$12,488,518.50
Interstate Rock	$12,699,263.75
Condie Construction	$13,262,594.50
BHI	$13,605,000.00
Royal T	$14,479,130.00
Suncore	$14,641,639.00
Harward & Rees	$21,084,583.40

Item 6 - Recommendation

Move to approve the Construction Agreement with Whitaker Construction for the La Verkin Pond and Pipeline Project for $12,488,518.50

7. Consider Construction Manager/General Contractor agreement for the AWP Demonstration Facility and Conservation Garden Project

- Trinity Stout, WCWCD Reuse Project Manager
- For action

AWP Demonstration Facility

Purpose:

Increase understanding and awareness of One Water and potable reuse.

New facilities:

- Education Building
- AWP Demonstration Equipment
- AWP Portable Trailer
- Conservation Garden

Education Building

Space to receive One Water Washington County tours and learn about potable reuse

Las Virgenes Pure Water Demo Calabasas, CA

AWP Demo Equipment

Opportunity for public to learn about and taste test purified water at education building

Reverse Osmosis Pilot Skid Canton, OH

AWP Portable Trailer

Opportunity for public to learn about and taste test purified water at locations throughout Washington County

Trailer will replicate treatment process but will not contain AWP equipment

Portable AWP Trailer Phoenix, AZ

Conservation Garden

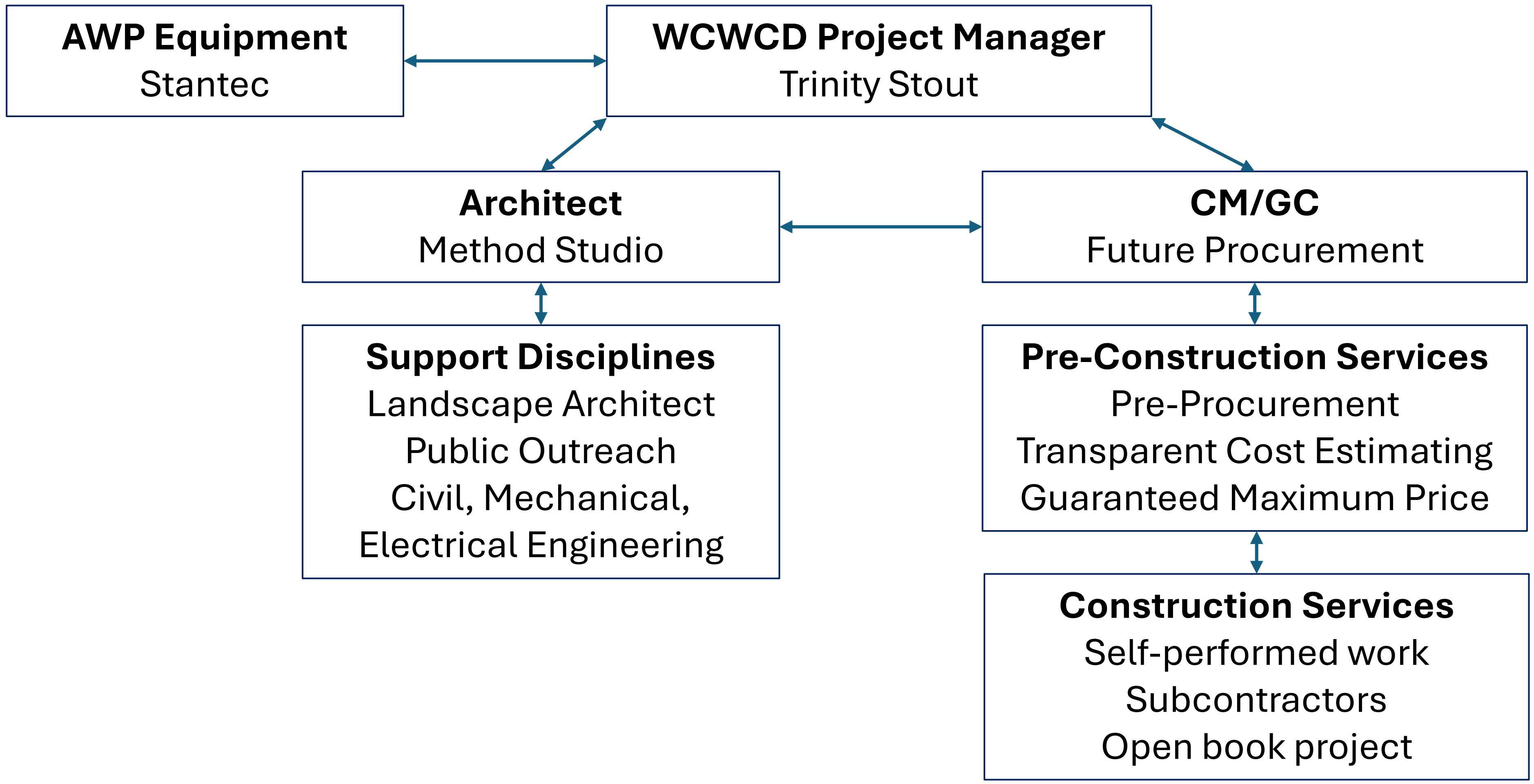
Interactive garden featuring water-efficient desert landscapes, meandering trails, shade structures, and gathering spaces

Red Hills Desert Garden redhillsdesertgarden.com

Design Work Completed to Date

- Preliminary Design Report complete
- Basis of design report for AWP demonstration equipment
- Land acquisition complete
- Site geotech work complete

Collaborative Delivery Project Org Chart



Proposal Review and Selection

- Review Process
  - Nine Submissions
  - Committee (Program Partners and OA)
    - WCWCD, ACSSD, Stantec
  - Scored on:
    - Qualifications, Knowledge and Experience, Management Plan, Letters of Reference, Cost Proposals
- Selected Firm: **Mahas Construction**

Scope of Work and Fee Proposal

- Pre-Construction Services
  - $6,000
- Construction Supervision/General Conditions
  - $240,000 ($5,333/mo for 15 months)
- Construction Management Fee
  - 5%
- Contractor Performance/Payment Bond and Insurance
  - 1% of Final GMP

Item 7 - Recommendation

Move to approve the Agreement for Construction Manager/General Contractor Services with Mahas Construction as described

8. Manager’s Report

- Zach Renstrom, WCWCD General Manager
- For discussion

9. Request for a Closed Session to Discuss Purchase of Real Property

- Zach Renstrom, WCWCD General Manager
- For discussion

10. (Return to open session) Consider Purchase of Real Property

- Zach Renstrom, WCWCD General Manager
- For action

Item 10 - Recommendation

Move to approve the purchase of real property as discussed in the closed session

11. Consider Approval of Board Meeting Minutes from June 8, 2026

- Zach Renstrom, WCWCD General Manager
- For action

Item 11 - Recommendation

Move to approve the board meeting minutes from June 8, 2026

Thank you for participating in this board meeting

wcwcd.gov

info@wcwcd.gov