

MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF SUMMIT COUNTY, UTAH

FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2021 AND 2020

Osborne, Robbins & Buhler, PLLC

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MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT

Letter of Transmittal

April 29, 2022

To the Administrative Control Board

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the financial statements of the Mountain Regional Water Special Service District (the District) for the year ended December 31, 2021.

The financial statements consist of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in these financial statements. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Osborne Robbins and Buhler, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the year ended December 31, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements, for the year ended December 31, 2021, are fairly

presented in conformity with GAAP. The independent auditor's report is presented on pages 1 through 3 of this document.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

District History

The District was created in 2000 by the Summit County Commission (now Council) to regionalize water service in the Snyderville Basin by consolidating several failing water companies. Since 2000 several new developments have annexed into the District, including the Promontory development (golf courses, residences, etc.), the Colony and Red Hawk developments near Park City, as well as the area formerly serviced by the Community Water Community. The District now covers almost 40 square miles.

The District provides both irrigation and culinary water service to customers within its boundaries, which represents about 45% of its total water production. The remaining 55% of water produced is sold to wholesale customers outside the District boundaries, including other major retail water providers in the Snyderville Basin. To provide this water service, the District is continually upgrading and expanding its infrastructure to meet growing customer demand.

The District maintains a centralized, regional water system currently serving 4,938 customers. In addition to those customers, the District provides water for two golf courses, and as mentioned above, wholesale water sales to other water companies. The District produced over 6,000 acre-feet in 2021.

Additionally, 1,468 undeveloped lots exist within the District that have a water system installed in a ready-to-serve state for which a standby fee is assessed.

Growth during 2021 has been significantly higher than previous years as demonstrated by a 6.3% increase in customers connected to the system and using water, and an 18.1% increase in the number of lots either currently under development or planning to be developed in the future.

The principal place of business is the District's Main Office at 6421 North Business Park Loop Road, Suite A near Silver Creek Junction. The Summit County Council (Council) acts as the governing board for the District; and has delegated certain authority to an Administrative Control Board (Board) made up of five to seven members appointed by the Council.

The Board meetings are generally held the third Thursday of each month at 6:00 p.m. The schedule and agendas for these meetings can be found on the District's website at www.mtregional.org/board-meetings.

Mission Statement

To provide high-quality water and exceptional service in a safe, reliable, efficient, and sustainable manner.

District Planning

The District utilizes zero-based budgeting to fund programs based upon current needs and priorities; and has demonstrated the ability to make expenditure cuts when necessary due to revenue shortfalls.

The District updates its five-year financial plan during each budget cycle to identify financial issues before they become problems. Along with the rate stabilization, drought and other reserves discussed later, this helps stabilize rates and charges despite fluctuations in building related revenue and the impact of weather on water sales. The District conducted a rate study in 2018 that led to a 3% increase in rates in 2019. The District anticipates another a rate increase in 2023 of 8 to 10% to keep up with inflation and the growing needs of the District.

During 2019 the District updated its Capital Facilities Plan and impact fees in accordance with the Utah Impact Fees Act. This led to a decrease in the impact fee per ERC from \$10,513 to \$8,354 in 2021. The impact fee rates established with this study include a small increase each year to the impact fees. Accordingly, the impact fee per ERC for 2022 is \$8,579. During 2022, the District will be updating its Capital Facilities Plan and Impact Fee Analysis to address the growth within the District.

The District has established a rate stabilization cash reserve to help deal with cyclical development related revenue, assessment prepayments, and treatment plant costs that vary dramatically from year to year. In 2021, The District developed a Drought Response Plan which included establishing a Drought Reserve Fund in the amount of \$800,000, to be funded at the beginning of 2022 from other unrestricted cash reserves. The Drought Reserve Fund will be used to fund operating expenses if the District experiences a shortfall in revenues due to water usage restrictions enacted in response to the drought.

Policies and Procedures

The District has established purchasing policies and controls, in compliance with state law, to ensure proper procedures are followed and that District purchases represent best value. In addition, the District has established personnel policies, in compliance with state and federal law, to ensure proper procedures are followed and documented in its dealings with employees.

Further the District has adopted Rules & Regulations, Construction Standards, an Emergency Plan, and a Safety Manual.

These documents are available at the District's Main Office.

District policies are developed by management in coordination with the Board. The Board then makes recommendations to the Council for adoption.

During 2021 the District completed the State of Utah's Internal Risk Assessment and received a Risk Level of "Low". This was presented to the Board in December and sent to the State Auditor.

The District has also established detailed administrative policies and internal controls for all financial functions to provide reasonable, but not absolute, assurance of safeguarding assets against loss from unauthorized use or disposition and to ensure the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District has established internal controls for budgeting which requires the General Manager, District managers and the Board to review monthly budget to actual reports. Each department has a separate budget that requires the involvement of the appropriate manager and finance department to monitor on a regular basis. Budget to actual amounts are reviewed more frequently the last two months of the fiscal year.

Budgetary procedures for the District have been established by Utah State Code Annotated in Title 17B, Chapter 1 Provisions Applicable to All Local Districts. The District uses the same accounting method for preparing the budget as is used for financial reporting.

An annual budget is prepared in accordance with state law. On or before the first regularly scheduled meeting of the Summit County Council in November, the Council must adopt a tentative budget for the following fiscal year for public review. At least thirty days after the tentative budget is adopted, but no later than December 31, the Council must hold a public hearing on the tentative budget. A final budget must be adopted by the Council no later than December 31.

Budgets may be changed by resolution of the Council at any time during the fiscal year at a regular meeting or special meeting called for that purpose.

Fees and Charges

It is the policy of the Board to establish fair and equitable rates, fees and charges pursuant to state law. This includes water rates, operating fees, connection fees, development fees and impact fees. Assessments are adopted by Council, through a resolution prepared by Bond Council.

The amount of these rates, fees and charges are driven by the 1.25 times debt coverage requirement for the District's revenue bonds pursuant its bond general indenture. This requires the District to set its rates, fees and charges at a level that will generate enough revenue to provide 1.25 times the scheduled annual debt payments once all other annual operations, maintenance and repairs costs are paid.

The District has not had a rate increase since January of 2019, but as mentioned previously, anticipates an increase of 8 to 10% will be needed in 2023 to keep up with inflation and the growing needs of the District.

The main retail water rates are shown below, although other rates exist for small groups of customers.

Water Rates

Current Rates

Residential - Per ERC		
Monthly Base Rate	\$61.80	<i>Per ERC</i>
Usage (in gallons)		
Zero to 5,000	1.80	<i>Per 1,000 Gallons</i>
5,001 to 20,000	4.64	<i>Per 1,000 Gallons</i>
20,001 to 30,000	5.15	<i>Per 1,000 Gallons</i>
30,001 to 40,000	8.24	<i>Per 1,000 Gallons</i>
40,001 to 60,000	12.36	<i>Per 1,000 Gallons</i>
60,001 to 80,000	15.45	<i>Per 1,000 Gallons</i>
80,001 to 100,000	18.54	<i>Per 1,000 Gallons</i>
Above 100,000	21.63	<i>Per 1,000 Gallons</i>

Non-residential/Commercial - Per ERC		
Monthly Base Rate	\$79.31	<i>Per ERC</i>
Usage (in gallons)		
Zero to 5,000	2.83	<i>Per 1,000 Gallons</i>
5,001 to 30,000	4.64	<i>Per 1,000 Gallons</i>
30,001 to 40,000	8.24	<i>Per 1,000 Gallons</i>
40,001 to 60,000	12.36	<i>Per 1,000 Gallons</i>
60,001 to 80,000	13.39	<i>Per 1,000 Gallons</i>
80,001 to 100,000	14.42	<i>Per 1,000 Gallons</i>
Above 100,000	15.45	<i>Per 1,000 Gallons</i>

Culinary Irrigation - Per ERC		
Monthly Base Rate	\$61.80	<i>Per ERC</i>
Usage (in gallons)		
Zero to 5,000	2.83	<i>Per 1,000 Gallons</i>
5,001 to 30,000	4.64	<i>Per 1,000 Gallons</i>
30,001 to 40,000	8.24	<i>Per 1,000 Gallons</i>
40,001 to 60,000	12.36	<i>Per 1,000 Gallons</i>
60,001 to 80,000	15.45	<i>Per 1,000 Gallons</i>
80,001 to 100,000	18.54	<i>Per 1,000 Gallons</i>
Above 100,000	21.63	<i>Per 1,000 Gallons</i>

These rates include significant increases for the charge per 1,000 gallons as monthly consumption increases. The Board adopted this rate structure to promote water conservation due to the District's arid climate and the need to import expensive water into the District.

In addition to the above rates, some customers also pay an elevation pumping surcharge based on the cost to deliver water to the area in which they reside. This surcharge was reviewed during 2018 and modified slightly for 2019. The surcharge rates for 2020 and 2021 remain the same as shown below:

Pumping Surcharge		
Colony	2.40	<i>Per 1,000 Gallons</i>
Discovery	0.78	<i>Per 1,000 Gallons</i>
Glenwild	0.49	<i>Per 1,000 Gallons</i>
Preserve	2.22	<i>Per 1,000 Gallons</i>
Redhawk	0.80	<i>Per 1,000 Gallons</i>
Promontory West Hills	0.28	<i>Per 1,000 Gallons</i>
Promontory Middle Valley	0.14	<i>Per 1,000 Gallons</i>
Stagecoach	2.86	<i>Per 1,000 Gallons</i>
Summit Park	0.78	<i>Per 1,000 Gallons</i>
Sun Peak	1.21	<i>Per 1,000 Gallons</i>
Timberline	0.78	<i>Per 1,000 Gallons</i>
Weilenmann	0.78	<i>Per 1,000 Gallons</i>

The District requires an impact fee to be paid prior to the issuance of a building permit by Summit County. The impact fee recovers the proportionate capital cost of the water rights and infrastructure that will be used to provide water service for that customer. The impact fee is based upon the livable square footage of a home, plus for homes larger than 8,000 square feet an additional impact fee is added for outdoor water consumption. The impact fee schedule for residential customers is shown on the next page; and is based upon a 0.50 acre-foot Equivalent Residential Connection (ERC) fee of \$8,579.

However, residents in the Promontory service area pay a lower \$1,243 impact per home, regardless of size, since most of the infrastructure serving Promontory was paid for with a special assessment.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
2022 ADOPTED GENERAL SERVICE AREA IMPACT FEES ⁽¹⁾

Square Feet of Livable Space	(2)	Base Impact Fee	Additional Impact Fee per Square Foot of Livable Space	Additional Impact Fee per 0.10 Acres of Irrigated Landscaped Area Beyond the Base Allowance of 0.20 Acre Feet
- to 3,000	(3)	\$ 8,579		
3,000 to 4,000		8,579	plus \$ 2.86 per additional square foot above 3,000	
4,000 to 5,000		11,439	plus \$ 2.86 per additional square foot above 4,000	
5,000 to 6,000		14,299	plus \$ 2.86 per additional square foot above 5,000	
6,000 to 7,000		17,159	plus \$ 2.86 per additional square foot above 6,000	
7,000 to 8,000		20,019	plus \$ 2.86 per additional square foot above 7,000	
8,000 to 10,000	(4)	22,879	plus \$ 2.86 per additional square foot above 8,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
10,000 to 12,000		28,599	plus \$ 2.86 per additional square foot above 10,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
12,000 to 14,000		34,319	plus \$ 2.86 per additional square foot above 12,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
14,000 to 16,000		40,039	plus \$ 2.86 per additional square foot above 14,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
16,000 to 18,000		45,759	plus \$ 2.86 per additional square foot above 16,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
18,000 to 20,000		51,479	plus \$ 2.86 per additional square foot above 18,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet
Above 20,000		57,199	plus \$ 2.86 per additional square foot above 20,000	plus \$3,200 per 0.10 acre foot of landscaping above 0.20 acre feet

(1) - Some lot owners prepaid the impact fee for a certain quantity of water. These lot owners receive a credit against their impact fee for the quantity of water prepaid.

(2) - Livable square feet includes all floors including basements, but excludes garages, porches and decks.

(3) - The base impact fee for all homes with livable space up to 3,000 square feet is the same at \$8,579.

(4) - Only homes with 8,000 or more square feet of livable space are assessed an additional impact fee for outdoor watering. The first 0.20 acre feet (8,712 square feet) of irrigated landscaped area is not assessed the additional fee. Any irrigated landscaped area larger than 0.20 acres is assessed \$3,200 per 0.10 additional acre feet (4,356 square feet) beyond the 0.20 acres.

The impact fee for non-residential customers (with the exception of the Promontory service area) is \$8,579 per ERC, based upon standards established by the State of Utah Division of Drinking Water. Non-residential customers in Promontory pay \$1,243 per ERC due to the aforementioned special assessment.

Economic and Demographic Information

The District is located in an affluent area that includes many large second homes. In fact, the area has the highest per capita income in the state. The area served by the District has two world-renowned ski resorts within five miles of each other: Park City and Deer Valley. The Sundance Film Festival is held in the area each winter.

In addition, there are other world-renowned winter activities available at the facilities constructed in the Park City area to host the 2002 Winter Olympic Games - such as ski jumping, bobsledding, and cross-country skiing; summer and fall activity is growing as well - including arts festivals, concerts, sporting events, and a variety of other activities. There are several upscale gated communities served by the District, two of which have golf courses.

The District is currently experiencing strong customer growth. It currently serves 4,703 residential connections and 235 commercial connections, with an estimated population of 8,407. Based upon the growth projections for Summit County, it is estimated that the District's population will be 9,100 in 2025 and 10,050 by 2030. The population could be higher than this if additional areas annex into the District as development continues.

This strong development cycle in the Snyderville Basin, has led to significant increases in one-time impact and connection fees, and the related ongoing year-over-year increase in retail water sales.

During 2021 the District saw a significant increase in impact fees, from \$735,399 in 2020 to \$3.40 million in 2021. To address this historic growth, during 2022, the District will prepare a new Capital Facilities Plan, update its financial models used to establish water rates, and update its water models used to determine when water source development will become necessary.

Major Initiatives

In 2013 the District entered into a water regionalization agreement, The Western Summit County Project Master Agreement (WSCPMA). The agreement is made up of four primary stakeholders, the District, Summit Water Distribution Company, Park City Municipal Water, and Weber Basin Water Conservancy District. The intent of the agreement was to consolidate future water importation projects into the basin to create economies of scale. Since 2013 the parties have contemplated the timing on a large importation project and discussions regarding this future project are ongoing. Due to the current availability of water resources in the Park City area and contractual commitments tied to the WSCPMA, this project will not be constructed before the end of 2026.

Under the terms of this agreement, the District started paying Weber Basin a \$200,000 annual regionalization fee in 2020. At that time, the District also started paying an additional \$45,000 per year in new Davis & Weber Counties Canal Company lease reservation fees for water rights purchased by Weber Basin.

Under this agreement, the District is now selling its surplus water to Weber Basin, who is then selling it to other retail water entities in the Snyderville Basin. The District is phasing out of selling water under this agreement due to internal growth; the last scheduled delivery is for 2027.

The District created a regionalization cash reserve in 2015 into which the net cash benefit from these surplus water sales was deposited each year through 2021. The reserve reached \$2.86 million by the end of 2021. As mentioned previously, at the beginning of 2022, \$800,000 was transferred out of the regionalization reserve to create the drought reserve. The remaining regionalization reserves can be used to prepay long-term debt and to offset the \$245,000 additional annual costs related to the regionalization agreement with that began in 2020.

During 2021 the District completed its meter change out program and continued to promote the use of its software management tool called EyeOnWater. This software integrates with the Badger Meters that have been installed throughout the District to provide real time data to individual customers. The use of this software by both the District and its customers allows for

better monitoring of usage, identification of water leaks, and application of watering restrictions from drought conditions.

The District is taking the current drought situation in the west, and specifically Utah, very seriously. The Weber Basin Water Conservancy District (WBWCD), which provides the majority of the District's water through contract, provided the District with their extensive Drought Response Plan in 2020. The District, in turn, prepared its own Drought Response Plan, which was adopted by the Administrative Control Board in July of 2021.

Both the WBWCD plan and the District's Drought Response Plan identify drought levels that, if reached, would trigger certain water usage restrictions to be enacted. Those conditions were reached in the spring of 2022 and the WBWCD has mandated restrictions based on its customer classifications and relationships with WBWCD. For the District, these restrictions require customers to decrease indoor use of water by 10% and outdoor watering by 40%.

The District will follow its Drought Response Plan to address the financial impacts of these restrictions on water usage which includes reductions to expenses where possible, increases to the water use rates in the high use tiers of the District's rate structure and, as needed, use of the Drought Reserve Funds.

Respectfully submitted,



Andy Garland, General Manager
District Clerk



Steve Anderson, Chief Financial Officer
Treasurer

INDEPENDENT AUDITOR'S REPORT

Administrative Control Board
Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mountain Regional Water Special Service District (the District), a component unit of Summit County, Utah as of and for the years December 31, 2021 and 2020, 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 referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020 and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 on pages 4 through 17, and the Required Supplementary Information – Pensions on pages 59 through 61 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 inquires 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the transmittal letter on pages i through ix and other supplemental financial information on pages 63 through 69 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Osborne, Robbins & Buhler, PLLC

April 29, 2022

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020

This section of the Mountain Regional Water Special Service District of Summit County (the District) report serves as an introduction to its basic financial statements for the year ended December 31, 2021 and 2020; and presents management's discussion and analysis of its financial position. Please read this in conjunction with the District's basic financial statements, which follow this section. These statements include all District activities.

Financial Highlights

- The District realized a \$8.76 million increase in net position for 2021. This exceeded the budgeted increase by \$4.39 million;
- District operating revenue exceeded budget by \$314,920 (2.6%). 2021 was a more typical spring and summer in terms of temperature but with a wetter than usual August. That, coupled with the District's efforts to promote conservation efforts amidst the drought conditions, resulted in operating revenues being very comparable to 2020 despite increasing growth in the area;
- 2021 operating expenses were \$646,088 (6.8%) under budget due primarily to cost savings in Operations expenses.
- District cash increased \$5.47 million during 2021 primarily due to increases in impact fee reserves, customer deposits and operating cash.
- Year-end 2021 operating cash and reserves amounted to 356 days reserves, based upon annual budgeted cash operating expenditures.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial statements. This report also contains additional required supplementary information on pensions and other supplementary items, in addition to the basic financial statements themselves.

The District operates as an enterprise fund and is a component unit of Summit County, Utah. Enterprise funds account for operations that are financed and operated in a manner similar to a private business, where the intent of the governing body is that the cost of providing goods and services be financed or recovered primarily through user charges. The District is financed primarily through water sales, service fees, property assessments, and impact fees. It does not impose any taxes.

The *Statement of Net Position* presents information on all the District's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources - with the difference between the two reported as net position. Typically, over time the increases and decreases in

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020

net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing the how District's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows for future periods.

The *Statement of Cash Flows* presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balances during the reporting period.

The notes provide additional information essential to a full understanding of the data provided in the financial statements. The notes are a part of the basic financial statements.

District Financial Analysis

Net Position

An entity's net position (i.e. total assets plus deferred outflows, less total liabilities and deferred inflows) may serve over time as a useful indicator of a government's financial condition, as shown below, although the potential significant swings in the District's annual revenue collections due to weather conditions and the building economy also need to be accounted for when interpreting the table below. This is discussed in more detail later in the revenue section of this report.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021 and 2020

Mountain Regional Water Special Service District's Change in Net Position

	2021	2020	2019	2021 to 2020		2020 to 2019	
				Change	%	Change	%
Operating revenue	\$ 12,449,420	\$ 12,404,429	\$ 10,039,691	\$ 44,991	0.4 %	\$ 2,364,738	23.6 %
Operating expenses	<u>(8,800,862)</u>	<u>(9,006,030)</u>	<u>(8,169,805)</u>	<u>205,168</u>	(2.3)	<u>(836,225)</u>	10.2
Operating income	3,648,558	3,398,399	1,869,886	250,159	7.4	1,528,513	81.7
Non-operating revenue	4,865,479	1,875,689	2,299,940	\$ 2,989,790	159.4	\$ (424,251)	(18.4)
Non-operating expense	<u>(977,368)</u>	<u>(1,116,031)</u>	<u>(1,284,252)</u>	<u>138,663</u>	(12.4)	<u>168,221</u>	(13.1)
Income before contributions	7,536,669	4,158,057	2,885,574	3,378,612	81.3	1,272,483	44.1
Capital Contributions	<u>1,226,017</u>	<u>114,417</u>	<u>1,831,643</u>	<u>1,111,600</u>	971.5	<u>(1,717,226)</u>	(93.8)
Change in net position	8,762,686	4,272,474	4,717,217	4,490,212	105.1	(444,743)	(9.4)
Net position - beginning	<u>70,331,591</u>	<u>66,059,117</u>	<u>61,341,900</u>	<u>4,272,474</u>	6.5	<u>4,717,217</u>	7.7
Net position - ending	<u>\$ 79,094,277</u>	<u>\$ 70,331,591</u>	<u>\$ 66,059,117</u>	<u>\$ 8,762,686</u>	12.5 %	<u>\$ 4,272,474</u>	6.5 %

Net position increased \$8.76 million in 2021 to \$79.09 million (a 12.5% increase in ending net position) as shown in the table above. This resulted primarily from impact fee revenues and capital contributions. Impact fee revenues were \$3.40 million in 2021, compared to approximately \$735,000 in 2020, the result of extraordinary growth in the area. Capital contributions were approximately \$1.23 million an increase of over \$1.11 million compared to 2020, also a result of the growth in the area.

The 2020 change in net position of \$4.27 million to \$70.33 million (a 6.5% increase in ending net position), resulted primarily from increased water sales due to a longer, hotter spring and summer in 2020.

The District's net position is segregated into three categories, as shown below, to provide additional insight into its financial condition.

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Mountain Regional Water Special Service District's Net Position

	2021	2020	2019	2021 to 2020		2020 to 2019	
				Change	%	Change	%
				\$	%	\$	%
Unrestricted current assets	\$ 14,984,275	\$ 13,310,432	\$ 13,055,784	\$ 1,673,843	12.6 %	\$ 254,648	2.0 %
Capital assets	94,189,930	93,410,432	92,319,784	779,498	0.8	1,090,648	1.2
Other assets	9,829,290	6,362,174	6,629,602	3,467,116	54.5	(267,428)	(4.0)
Total assets	<u>119,003,495</u>	<u>113,083,038</u>	<u>112,005,170</u>	<u>5,920,457</u>	5.2	<u>1,077,868</u>	1.0
Deferred outflows of resources	1,414,990	1,490,394	1,901,308	(75,404)	(5.1)	(410,914)	(21.6)
Unrestricted current liabilities	347,463	433,421	562,366	(85,958)	(19.8)	(128,945)	(22.9)
Long-term liabilities	35,295,431	39,046,548	42,008,596	(3,751,117)	(9.6)	(2,962,048)	(7.1)
Net pension liability	81,566	592,151	1,256,115	(510,585)	(86.2)	(663,964)	(52.9)
Other liabilities	4,369,179	3,646,356	3,810,571	722,823	19.8	(164,215)	(4.3)
Total liabilities	<u>40,093,639</u>	<u>43,718,476</u>	<u>47,637,648</u>	<u>(3,624,837)</u>	(8.3)	<u>(3,919,172)</u>	(8.2)
Deferred inflows of resources	1,230,569	523,365	209,713	707,204	135.1	313,652	149.6
Net position							
Net investment in capital assets	58,467,810	54,737,338	52,858,145	3,730,472	6.8	1,879,193	3.6
Restricted for:							
Capital projects	6,108,832	3,368,780	2,399,432	2,740,052	81.3	969,348	40.4
Debt service	1,203,726	812,457	982,040	391,269	48.2	(169,583)	(17.3)
Unrestricted	<u>13,313,909</u>	<u>11,413,016</u>	<u>9,819,500</u>	<u>1,900,893</u>	16.7	<u>1,593,516</u>	16.2
Total net position	<u>\$ 79,094,277</u>	<u>\$ 70,331,591</u>	<u>\$ 66,059,117</u>	<u>\$ 8,762,686</u>	12.5 %	<u>\$ 4,272,474</u>	6.5 %

Net Investment in Capital Assets

Net investment in capital assets (net investment) measures the book value of an entity's capital assets such as land, water system infrastructure, equipment, and water rights - less accumulated depreciation and the remaining debt outstanding used to acquire or construct those assets.

Net investment in capital assets accounted for \$58.47 million (73.9%) of total net position in 2021 compared to \$54.74 million (77.8%) in 2020. The \$3.73 million (6.8%) increase in net investment during 2021 arose due to the completion of capital projects, principal payments on debt, and capital contributions. Net investment in capital assets increased \$1.88 million (3.6%) in 2020 due to the completion of capital projects and principal payments on debt and capital contributions.

Capital assets accounted for \$94.19 million (79.15%) of total assets in 2021; compared to \$93.41 million (82.60%) of total assets in 2020. Long-term liabilities (mostly bonds) accounted for \$35.30 million (88.03%) of total liabilities in 2021, compared to \$39.05 million (89.31%) in 2020.

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Restricted Net Position

Restricted net position includes restricted cash and cash equivalent accounts less liabilities that will be paid from restricted cash and cash equivalent account balances. It includes two components: restricted for capital projects and restricted for debt service.

In 2021, net position restricted for capital projects increased \$2.74 million (81.3%). In 2020, net position restricted for capital projects increased \$969,348 (40.4%). The increase in 2021 was primarily the result of the significant amount of impact fee revenues recognized during the year. The increase in 2020 arose when required contributions to the reserves exceeded use of the reserves.

In 2021, net position restricted for debt service increased by \$391,269 (48.2%) to \$1.20 million. This was primarily due to special assessment revenues collected which are restricted for use in funding a portion of the debt service payments on the District's 2014 bonds. The assessments collected in 2021 were substantially higher than in previous years, and the excess amounts are held in an account restricted for future debt service. In 2020, net position restricted for debt service decreased by \$169,583 (17.3%) to \$812,457. This resulted in part from cash used to fund debt service payments.

Unrestricted Net Position

Unrestricted net position includes assets not restricted for specific uses and can be used for any legitimate purpose. It also includes liabilities that can only be paid with unrestricted assets.

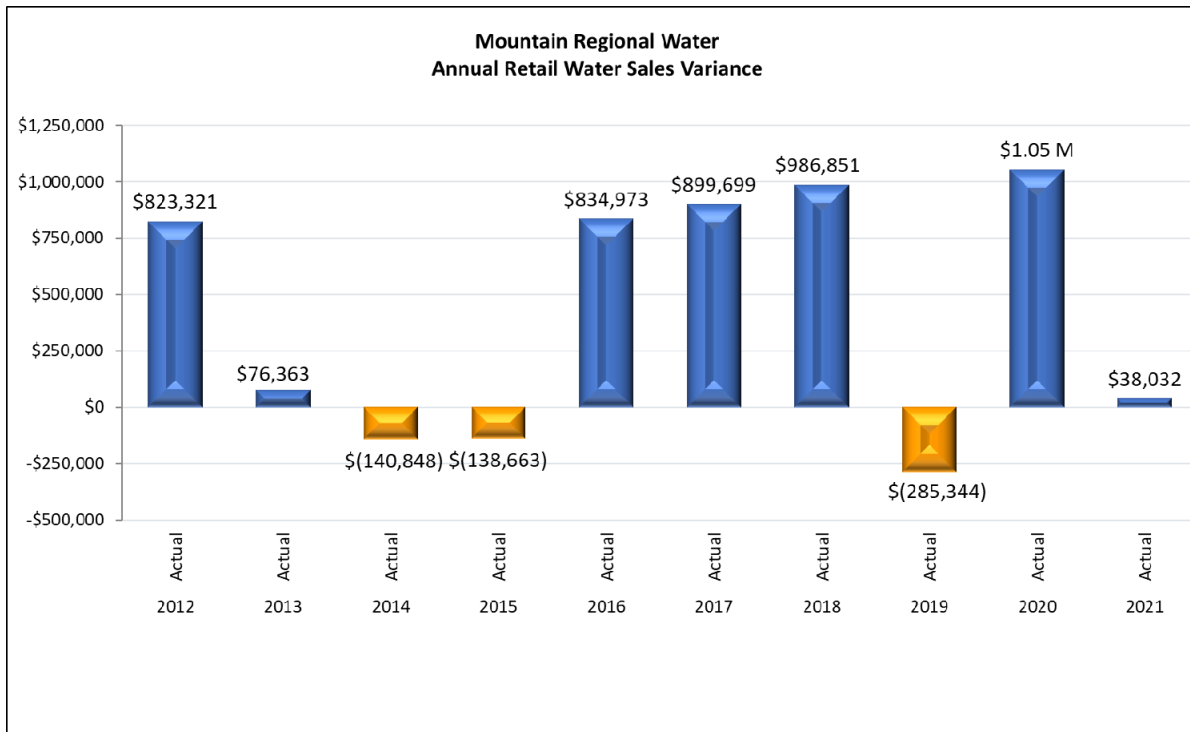
In 2021, unrestricted net position increased by \$1.90 million (16.7%) primarily the result of water sales being higher than operating expenses, which were \$646,088 (6.84%) less than budgeted and \$205,168 (2.3%) less than 2020 operating expenses. In 2020, unrestricted net position increased by \$1.59 million (16.2%). Water sales were higher in 2020 and exceeded operating expenses resulting in part of the increase. Some of the excess revenues over expenses was used to fund the required renewal and replacement reserves required under bond indentures.

Summary of Revenue

Later in this section, the District's three-year revenue history is discussed. However, the trends demonstrated in the related three-year table shown later in this section are not necessarily a good indication of revenue trends, as revenue collections can be very cyclical year-over year.

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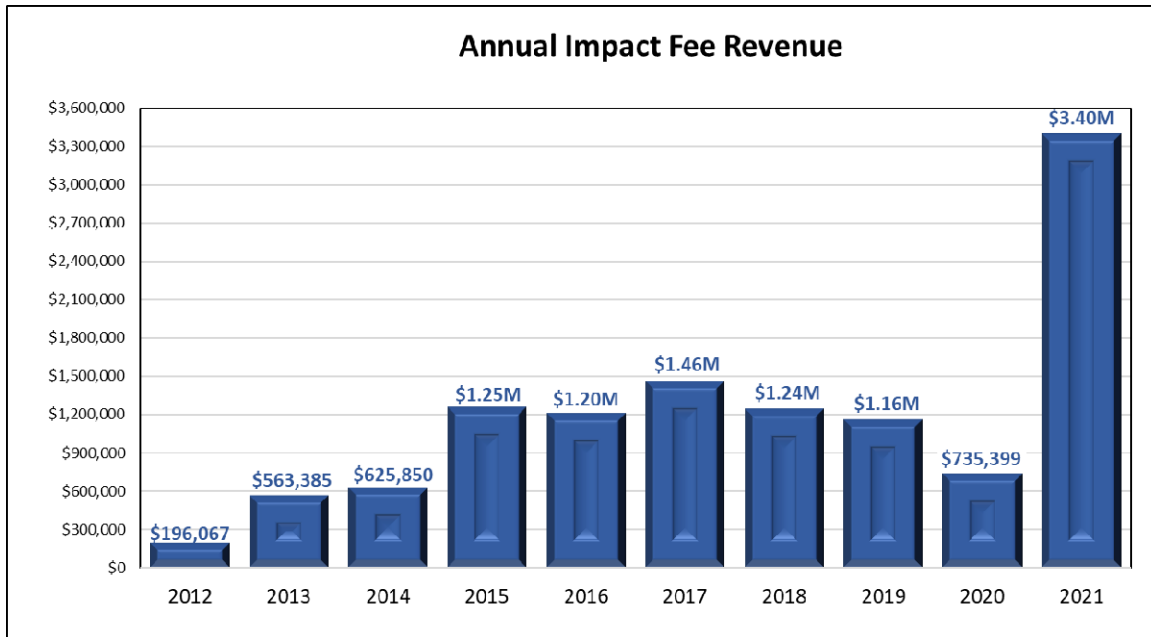
For example, the chart below shows the annual retail water sales budget variance over the past ten years, using the original adopted budget figures in comparison to final actual results.



The unusually hot dry weather experienced in 2016 through 2018, resulted in retail water sales that were significantly above budget projections. Meanwhile, the cooler, wetter weather during 2019 resulted in retail water sales that were approximately \$285,000 below budget, with similar situations arising in 2014 and 2015. In 2020, the irrigation season began early with a very dry and warm spring followed by a hot and dry summer resulting in retail water sales being much higher than anticipated. Water usage in 2021 followed more typical patterns with less extreme weather so the variance was quite small. Overall, this shows that in the last several years annual retail water sales can vary from \$285,344 below budget to \$1.05 million above budget, strictly due to weather patterns.

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In addition to the variance in retail water sales due to weather, there is an even more dramatic variance in impact fee revenues due to the building cycle as shown below. Since 2007, impact fee revenues have ranged from an extreme high of \$3.40 million in 2021 to a low of \$196,067 in 2012.



It is difficult to predict impact fee revenues for 2022 as many growth and economic factors are in play. It is very unlikely impact fee revenues will remain at the level experienced during 2021. During 2020, in the midst of the Covid-19 pandemic the expectation was that growth would slow. The opposite turned out to be the case and growth increased dramatically as people have chosen to relocate from large metropolitan areas in favor of more rural living.

To address the potential for large variations in revenue collections year-over-year, the District established revenue stabilization reserves to cover any potential annual revenue shortfalls. The District's policy is to maintain at least \$1.0 million in these reserves that can only be used to make parity debt payments in case insufficient cash is generated from operations in any given year, or if other cash reserves are not available.

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Total revenue increased \$3.03 million (21.3%) in 2021 to \$17.31 million, after an increase during 2020 of \$1.94 million (15.7%), as shown below.

Mountain Regional Water Special Service District's Revenue Summary

	2021	2020	2019	2021 to 2020 Change		2020 to 2019 Change	
				\$	%	\$	%
Operating							
Retail water sales	\$ 9,135,828	\$ 9,497,363	\$ 7,804,953	\$ (361,535)	(3.8) %	\$ 1,692,410	21.7 %
Wholesale water sales & wheeling fees	2,634,220	2,325,607	1,703,684	308,613	13.3	621,923	36.5
Operating fees	624,446	535,830	463,753	88,616	16.5	72,077	15.5
Other	54,926	45,629	67,301	9,297	20.4	(21,672)	(32.2)
Total operating	<u>12,449,420</u>	<u>12,404,429</u>	<u>10,039,691</u>	<u>44,991</u>	0.4	<u>2,364,738</u>	23.6
Non-Operating							
Impact fees	3,397,951	735,399	1,157,279	2,662,552	362.1	(421,880)	(36.5)
Interest income	74,335	170,536	405,843	(96,201)	(56.4)	(235,307)	(58.0)
Special district assessments	1,054,362	865,258	393,929	189,104	21.9	471,329	119.6
Intergovernmental grant revenue	11,667	14,067	11,666	(2,400)	(17.1)	2,401	20.6
Other nonoperating revenue	311,709	85,904	296,738	225,805	262.9	(210,834)	(71.1)
Gain on disposal of capital assets	15,455	4,525	34,485	10,930	241.5	(29,960)	(86.9)
Total nonoperating	<u>4,865,479</u>	<u>1,875,689</u>	<u>2,299,940</u>	<u>2,989,790</u>	159.4	<u>(424,251)</u>	(18.4)
Total revenue	<u>\$ 17,314,899</u>	<u>\$ 14,280,118</u>	<u>\$ 12,339,631</u>	<u>\$ 3,034,781</u>	21.3 %	<u>\$ 1,940,487</u>	15.7 %

Retail water sales decreased in 2021 by \$361,535 (3.8%) due to a wetter than normal August and also conservation efforts to address statewide drought conditions, whereas in 2020, due to an early spring, warmer weather and strong customer growth, retail water sales increased \$1.69 million (21.7%).

Wholesale water is typically sold on a take-or-pay basis, which means wholesale customers pay for the full quantity of water contracted each year whether or not they use it. This helps to mitigate the variation on retail water sales due to weather. The increases to wholesale water sales and wheeling fees of \$308,613 (13.3%) and \$621,923 (36.5%) in 2021 and 2020, respectively, is due to a higher volume of water being sold in 2021 and slightly higher fees for the water as costs to produce the water increased in 2021 and 2020.

Impact fee revenues increased by \$2.66 million (362.1%) in 2021 due to the aforementioned extraordinary growth in the area. Impact fees declined between 2020 and 2019 by \$421,880 (36.5%) despite development remaining strong in the area, particularly in the Silver Creek Village.

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Special district assessments increased in 2021 by \$223,715 (45.3%) and by \$99,560 (25.3%) in 2020. The increase in 2021 was the result of accelerated collection of Promontory development assessments as their lot sales increased rapidly in 2021. The increase in 2020 was due to the Community Water assessment being in place for an entire year (it began in June of 2019) and also Promontory development assessments as their lot sales increased rapidly at the end of 2020.

Summary of Expenses

District expenses decreased \$343,831 (3.4%) in 2021.

Mountain Regional Water Special Service District's Expense Summary

	2021	2020	2019	2021 to 2020 Change		2020 to 2019 Change		
				\$	%	\$	%	
Operating								
Operations, maintenance and repairs	\$ 2,797,417	\$ 2,976,310	\$ 2,290,509	\$ (178,893)	(6.0) %	\$ 685,801	29.9 %	
Water production	2,297,451	2,384,954	2,305,353	(87,503)	(3.7)	79,601	3.5	
Engineering and energy and technology management	838,289	712,323	805,521	125,966	17.7	(93,198)	(11.6)	
Management and finance	955,153	1,025,125	1,018,738	(69,972)	(6.8)	6,387	0.6	
Legal services	46,972	48,283	44,918	(1,311)	(2.7)	3,365	7.5	
Depreciation	1,865,580	1,859,035	1,704,766	6,545	0.4	154,269	9.0	
Total operating	<u>8,800,862</u>	<u>9,006,030</u>	<u>8,169,805</u>	<u>(205,168)</u>	(2.3)	<u>836,225</u>	10.2	
Non-Operating								
Interest expense	961,618	1,100,281	934,486	(138,663)	(12.6)	165,795	17.7	
Bond issuance expenses	-	-	334,193	-	-	(334,193)	(100.0)	
Other nonoperating expenses	15,750	15,750	15,573	-	-	177	1.1	
Total nonoperating	<u>977,368</u>	<u>1,116,031</u>	<u>1,284,252</u>	<u>(138,663)</u>	(12.4)	<u>(168,221)</u>	(13.1)	
Total expenses	<u>\$ 9,778,230</u>	<u>\$10,122,061</u>	<u>\$ 9,454,057</u>	<u>\$ (343,831)</u>	(3.4) %	<u>\$ 668,004</u>	7.1 %	

The Operations, maintenance and repairs decrease of \$178,893 (6.0%) is largely due to lower repair and maintenance costs as well as a decrease in the pension expense recognized for the year.

The \$87,503 (3.7%) decrease in Water production is largely because in 2020 the District incurred approximately \$258,000 for the recharging of carbon and the replacement of filtering membranes at the treatment plant but this was not required in 2021. A cash reserve account has been established and is funded monthly to help cover the costs in years when these expenses are incurred.

The \$125,966 (17.7%) increase in Engineering and energy and technology management in 2021 is largely the result of increased personnel costs. A new position of GPS/GIS Administrator was

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added to the District in 2021 to better map the District's infrastructure and track the need for preventative repairs and maintenance.

The 2021 decrease of \$69,972 (6.8%) in management and finance was due primarily to the decrease in pension expense.

During 2020 District expenses increased by \$668,004 (7.1%) over the prior year expenses due to higher personnel costs, higher water lease fees, higher water testing fees and higher interest expense. These increases were offset by a reduction in bond issuance expenses incurred in 2019.

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Capital Assets as of December 31

At the end of 2021, the District had invested \$121.78 million in a range of capital assets including land and water rights; infrastructure not buildings (water system infrastructure); construction in progress; and buildings, equipment and furnishings. As shown below, after accumulated depreciation, the District’s net capital assets total \$94.19 million.

	(net of depreciation)						
	2021	2020	2019	2021 to 2020		2020 to 2019	
				\$	%	\$	%
Land and water rights	\$ 20,498,190	\$ 20,498,190	\$ 20,693,190	-	-	(195,000)	(0.9)
Construction in progress	525,359	2,524,910	1,003,240	(1,999,551)	(79.2)	1,521,670	151.7
Infrastructure not buildings	66,011,513	63,963,189	64,103,709	2,048,324	3.2	(140,520)	(0.2)
Buildings, equipment and furnishings	<u>7,154,868</u>	<u>6,424,143</u>	<u>6,519,645</u>	<u>730,725</u>	11.4	<u>(95,502)</u>	(1.5)
Total capital assets (net)	<u>\$ 94,189,930</u>	<u>\$ 93,410,432</u>	<u>\$ 92,319,784</u>	<u>\$ 779,498</u>	0.8 %	<u>\$ 1,090,648</u>	1.2 %

Capital assets (net of depreciation) increased \$779,498 (0.8%) to \$94.19 million in 2021, primarily due to \$1.26 million in water system assets that were contributed by developers.

Capital assets (net of depreciation) increased \$1.09 million (1.2%) to \$93.41 million in 2020, primarily due to \$1.29 million incurred for improvements on the Community Water infrastructure upgrade.

Additional information on the District’s capital assets can be found in Note 5 on pages 35-36 of this report.

Because the above amounts are net of depreciation and the District periodically receives capital contributions, the amount of cash expended for capital projects shown in other areas of these financial statements may be different.

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Long-term Obligations Outstanding as of December 31

As shown below, total long-term obligations outstanding declined \$4.26 million (10.8%) to \$35.38 million in 2021 primarily due to scheduled principal payments, early pay off of capital leases, and a decrease of \$510,585 in the District’s Net Pension Liability. No new debt was issued in 2021.

The net decrease to total long-term obligations during 2020 was \$3.63 million (8.4%) primarily due to principal and capital lease payments as well as a decrease of \$663,964 in the District’s Net Pension Liability. No new debt was issued in 2020.

The District maintains a schedule to pay off all its debt by 2039.

	2021	2020	2019	2021 to 2020		2020 to 2019	
				Change	%	Change	%
Capital leases	\$ -	\$ 529,277	\$ 558,267	(529,277)	(100.0)	(28,990)	(5.2)
Payable to developer	606,388	935,337	1,033,135	(328,949)	(35.2)	(97,798)	(9.5)
Net pension liability	81,566	592,151	1,256,115	(510,585)	(86.2)	(663,964)	(52.9)
Compensated absences	458,400	420,446	409,988	37,954	9.0	10,458	2.6
Notes and bonds payable	<u>34,230,643</u>	<u>37,161,488</u>	<u>40,007,206</u>	<u>(2,930,845)</u>	<u>(7.9)</u>	<u>(2,845,718)</u>	<u>(7.1)</u>
Total long-term obligations	<u>\$ 35,376,997</u>	<u>\$ 39,638,699</u>	<u>\$ 43,264,711</u>	<u>\$ (4,261,702)</u>	<u>(10.8) %</u>	<u>\$ (3,626,012)</u>	<u>(8.4) %</u>

The District’s underlying bond rating from Fitch and Standard & Poor’s increased to AA during 2020.

The District continues to maintain all required bond debt reserves at mandatory levels, and maintains additional debt reserves as well.

Additional information on the District’s long-term obligations can be found in Note 6 on pages 37-44 of this report.

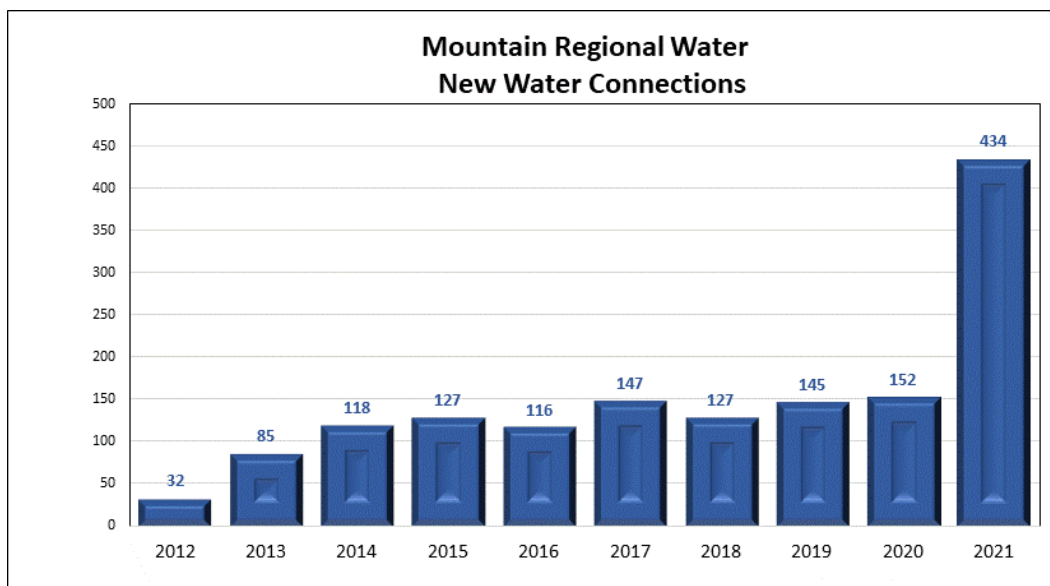
Economic Factors and Next Year's Operations

The average annual number of nonfarm payroll jobs in Summit County increased by 5.0% during 2021. The spike in unemployment caused by the Covid-19 pandemic has ended, and by December 31, 2021, unemployment in Summit County was at 2.6%. (Source: Utah Department of Workforce Services).

Annual real estate statistics serve as an important barometer of the economic climate in Summit County. According to the Park City Board of Realtors, in 2021 the real estate market in the area had a dollar volume increase of 6.0%. The number of units sold declined during the year but was more than offset by appreciation in sales price, up an average of 28.0%.

In the Snyderville Basin area specifically (which makes up most of the District's area), high demand and short supply resulted in a 21% increase in the median price of a single-family residence to \$1.9 million. (Source: Park City Board of Realtors).

These facts correlate with the customer growth experienced by the District the past several years, including the current strong growth in new connections, as shown below.



As shown above, the annual growth in new connections varies year to year with the building cycle. The District is currently in a strong building cycle that will likely not last indefinitely.

The current growth will result in higher water sales long-term. It typically takes 12 to 24 months from the time a customer applies for a new connection until that connection starts using water.

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However, despite the current growth in new customers, water sales will continue to fluctuate with weather patterns.

The District increased the impact fee budget for 2022 to \$1.6 million from \$600,000 in 2021 as development remains strong. Since buildings cycles can be hard to predict into the future, the District reviews building cycles at least annually.

District policy requires a minimum 120 days reserves throughout the entire year. The 356-day balance at December 31, 2021 is more than sufficient to maintain the 120-day policy minimum throughout 2022.

Requests for Information

This financial report is designed to provide a general overview of Mountain Regional Water Special Service District's finances for all those interested. Questions concerning this report or other financial information should be addressed to the Chief Financial Officer, Mountain Regional Water Special Service District, 6421 N. Business Park Loop Road – Suite A, P.O. Box 982320, Park City, Utah 84098.

BASIC FINANCIAL STATEMENTS

Mountain Regional Water Special Service District
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STATEMENTS OF NET POSITION
December 31,

	Business-type Activities	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,060,674	\$ 10,061,277
Receivables		
Accounts receivable	1,270,319	1,104,786
Other	14,542	494,945
Inventory of supplies	133,314	127,122
Prepaid expenses	1,505,426	1,522,302
Current portion, restricted cash and cash equivalents	<u>4,369,179</u>	<u>3,646,356</u>
Total current assets	<u>19,353,454</u>	<u>16,956,788</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	5,460,111	2,715,818
Nondepreciable capital assets	21,023,549	23,023,100
Depreciable capital assets, net	<u>73,166,381</u>	<u>70,387,332</u>
Total noncurrent assets	<u>99,650,041</u>	<u>96,126,250</u>
Total assets	<u>119,003,495</u>	<u>113,083,038</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	967,358	1,047,416
Pensions	<u>447,632</u>	<u>442,978</u>
	<u>1,414,990</u>	<u>1,490,394</u>

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December 31,

	Business-type Activities	
	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 208,821	\$ 216,170
Accrued liabilities	138,642	188,262
Liabilities payable from restricted assets		
Accounts payable	26,827	165,189
Due to developer	353,184	175,424
Customer deposits	1,044,403	499,261
Accrued interest	54,351	67,377
Current portion, payable to developer	137,800	62,235
Current portion, notes and bonds payable	2,752,614	2,676,870
Current portion, capital leases	-	28,989
Total current liabilities	4,716,642	4,079,777
LONG-TERM OBLIGATIONS, less current maturities		
Capital leases	-	529,277
Payable to developer	606,388	935,337
Net pension liability	81,566	592,151
Compensated absences	458,400	420,446
Notes and bonds payable	34,230,643	37,161,488
Total liabilities	40,093,639	43,718,476
DEFERRED INFLOWS OF RESOURCES		
Meter revenues received in advance	450,500	-
Grant revenues received in advance	140,000	151,667
Pensions	640,069	371,698
	1,230,569	523,365
NET POSITION		
Net investment in capital assets	58,467,810	54,737,338
Restricted for:		
Capital projects	6,108,832	3,368,780
Debt service	1,203,726	812,457
Unrestricted	13,313,909	11,413,016
Total net position	\$ 79,094,277	\$ 70,331,591

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31,

	Business-type Activities	
	2021	2020
Operating revenues*		
Retail water sales	\$ 9,135,828	\$ 9,497,363
Wholesale water sales and wheeling fees	2,634,220	2,325,607
Operating fees	624,446	535,830
Other operating revenues	54,926	45,629
Total operating revenues	<u>12,449,420</u>	<u>12,404,429</u>
Operating expenses		
Operations, maintenance and repairs	2,797,417	2,976,310
Water production	2,297,451	2,384,954
Engineering and energy and technology management	838,289	712,323
Management and finance	955,153	1,025,125
Legal services	46,972	48,283
Depreciation	1,865,580	1,859,035
Total operating expenses	<u>8,800,862</u>	<u>9,006,030</u>
Operating income	<u>3,648,558</u>	<u>3,398,399</u>
Nonoperating revenues (expenses)		
Impact fees*	3,397,951	735,399
Interest income*	74,335	170,536
Special assessments*	1,054,362	865,258
Intergovernmental grant revenue	11,667	14,067
Other nonoperating revenue*	311,709	85,904
Gain on disposal of capital assets*	15,455	4,525
Interest expense	(961,618)	(1,100,281)
Other nonoperating expenses	(15,750)	(15,750)
Total nonoperating revenues (expenses)	<u>3,888,111</u>	<u>759,658</u>
Income before contributions	7,536,669	4,158,057
Capital contributions - assets	<u>1,226,017</u>	<u>114,417</u>
Increase in net position	8,762,686	4,272,474
Net position at beginning of year	<u>70,331,591</u>	<u>66,059,117</u>
Net position at end of year	<u>\$ 79,094,277</u>	<u>\$ 70,331,591</u>

*Pledged as security for revenue bonds

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
STATEMENTS OF CASH FLOWS
Year Ended December 31,

	Business-type Activities	
	2021	2020
Cash flows from operating activities		
Receipts from customers	\$ 12,679,461	\$ 12,267,893
Payments to suppliers of goods and services	(4,960,137)	(5,250,761)
Payments to employees for services	(2,368,706)	(2,053,029)
Other receipts	1,258,231	967,969
Net cash provided by operating activities	<u>6,608,849</u>	<u>5,932,072</u>
Cash flows from investing activities		
Interest income collected	74,335	170,536
Net cash provided by investing activities	<u>74,335</u>	<u>170,536</u>
Cash flows from capital and related financing activities		
Impact fees collected	3,397,951	735,399
Special assessments and other nonoperating revenues collected	1,350,321	935,412
Purchase and construction of capital assets	(1,419,061)	(3,030,266)
Proceeds from sale of capital assets	15,455	199,525
Payments made on payable to developer	(253,384)	(106,688)
Principal payments made on capital leases	(558,266)	(28,064)
Reduction of long-term obligations	(2,676,869)	(2,544,378)
Interest payments made on long-term obligations	(1,072,818)	(1,194,153)
Net cash used in capital and related financing activities	<u>(1,216,671)</u>	<u>(5,033,213)</u>
Net increase in cash and cash equivalents	5,466,513	1,069,395
Cash and cash equivalents at beginning of year	<u>16,423,451</u>	<u>15,354,056</u>
Cash and cash equivalents at end of year	<u>\$ 21,889,964</u>	<u>\$ 16,423,451</u>
Cash and cash equivalents consists of :		
Unrestricted cash and cash equivalents	\$ 12,060,674	\$ 10,061,277
Current portion, restricted cash and cash equivalents	4,369,179	3,646,356
Noncurrent restricted cash and cash equivalents	<u>5,460,111</u>	<u>2,715,818</u>
Total cash and cash equivalents	<u>\$ 21,889,964</u>	<u>\$ 16,423,451</u>

Continued

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
STATEMENTS OF CASH FLOWS - CONTINUED
Year Ended December 31,

	Business-type Activities	
	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,648,558	\$ 3,398,399
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,865,580	1,859,035
Changes in assets and liabilities		
Accounts receivable	(165,533)	(93,307)
Other receivables	480,403	1,366,398
Inventory of supplies	(6,192)	(27,896)
Prepaid expenses	16,876	(163,020)
Changes in net pension asset, liability and deferred inflows and outflows related to pensions	(246,868)	(7,788)
Accounts payable	(7,349)	14,590
Accrued liabilities	(49,620)	(144,461)
Accounts payable from restricted assets	(138,362)	161,322
Deferred inflows - meter revenues	450,500	-
Deferred inflows - grants	-	2,400
Long-term portion compensated absences	37,954	10,458
Increase (decrease) in amount due to developer	177,760	(453,910)
Collection of deposits	545,142	9,852
Net cash provided by operating activities	<u>\$ 6,608,849</u>	<u>\$ 5,932,072</u>
Non-cash investing, capital and financing activities:		
Contributions of capital assets from developers	\$ 1,226,017	\$ 114,417
Bond proceeds due from State of Utah	-	400,000

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Mountain Regional Water Special Service District (the District) was formed in 1982 pursuant to a resolution adopted by the Summit County Commission (now Council) providing for the creation of the Atkinson Special Service District of Summit County, Utah. On February 2, 2000, the name was changed to Mountain Regional Water Special Service District, and its role was expanded to provide improved water utility services to additional existing areas and to areas of new growth and development within Snyderville Basin and Promontory Development of Summit County.

This summary of significant accounting policies of the District is presented to assist in understanding the District's financial statements. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The District is a component unit of Summit County, Utah and, as such, has been included in the basic financial statements of Summit County, Utah. The District is governed by the Summit County Council.

Budgetary Policy

Budgetary procedures for the District have been established by Utah State Code Annotated in Title 17B, Chapter 1 Provisions Applicable to All Local Districts. The District uses the same accounting method for preparing the budget as is used for financial reporting.

In accordance with state law, a budget is prepared on an annual basis. On or before the first regularly scheduled meeting of the Summit County Council in November, the Council must adopt a tentative budget for the following fiscal year for public review. At least thirty days after the tentative budget is adopted, but no later than December 31, the Council must hold a public hearing on the tentative budget. A final budget must be adopted by the Council no later than December 31.

Budgets may be changed by resolution of the Council at any time during the fiscal year at a regular meeting or special meeting called for that purpose.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Basic Financial Statements and Basis of Accounting

The District is a government entity accounted for as an enterprise fund and categorized as a business-type activity. Operations are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The records of the District are maintained on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses are those related to capital and related financing, noncapital financing, or investing activities.

In instances in which both restricted and unrestricted sources of revenues are earned for a similar purpose, the restricted revenues are applied toward expenses first.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash and highly liquid financial instruments purchased with original maturities of three months or less to be cash and cash equivalents.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivable due from customers are customer obligations due under normal trade terms requiring payment within 25 days from the invoice date. Each July or August, the Summit County Council places a lien on past due accounts that are equivalent and on parity with the property tax liens. During the remainder of the year, the District places a contractor's lien on the properties with past due accounts. The District also turns off the water for past due accounts.

Accounts receivable are stated at the amount billed to the customer including interest and late charges. The District charges interest on overdue customer account balances at a rate of 18% annually. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The District estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. Since the District has the ability to utilize the two lien processes and to shut off water, it rarely has to write off bad debt, and currently makes no allowance for bad debt.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in first-out method.

Capital Assets

Capital additions, improvements and major renewals are classified as property, plant and equipment and are recorded at cost. The District capitalizes all fixed asset purchases with costs in excess of \$5,000. Major maintenance projects in excess of \$5,000 are examined to determine whether they should be capitalized or expensed.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life (Years)</u>
Buildings	60
Improvements other than buildings	15 – 60
Furniture and fixtures, machinery and equipment, vehicles, and engineering library	5 – 20

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed, accumulated depreciation is deducted from the original cost, and any gain or loss arising from the disposal is credited or charged to operations. No interest was capitalized during 2021 or 2020.

Intangible assets

Following the guidance of GASB Statement No. 51, effective December 1, 2010, the District began recording donated intangible assets meeting the criteria outlined in GASB Statement No. 51 at fair value.

Pensions

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

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies - Continued

Deferred Outflow and 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 represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (an expense) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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.

For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow (or inflow) of resources. Those amounts are amortized over the life of the old debt or the life of the new debt, whichever is shorter.

The District also reports deferred outflows of resources related to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. Deferred inflows related to the pension are primarily the result of differences between projected and actual earnings on plan investments.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 2 - Deposits and Investments

Deposits and investments for the District are governed by Utah State Code Annotated in Title 51, Chapter 7 - State Money Management Act (Act) and by the rules of the Money Management Council (Council). Following are discussions of risks related to its cash management activities.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council.

The District's deposits are insured up to \$250,000 per account by the Federal Deposit Insurance Corporation. Deposits in the bank in excess of the insured amount are exposed to custodial credit risk. Deposits are not collateralized nor are they required to be by state statute. As of December 31, 2021, the book value of cash on deposit was \$566,538 and the bank balance was \$681,708 (approximately \$431,000 of which was exposed to custodial credit risk as uninsured and uncollateralized) with the difference being outstanding checks and deposits.

Investments

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

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 2 - Deposits and Investments – Continued

The Act authorizes investments in both negotiable and 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, one of which must be Moody’s Investors Services or Standard & Poor’s; 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), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The District’s investments at December 31, 2021 are presented below:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1 - 5	6 - 10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 21,323,426	\$ 21,323,426	\$ -	\$ -	\$ -

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 manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Act. The Act requires that the remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 2 - Deposits and Investments – Continued

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District follows the Act as previously discussed as its policy for reducing exposure to investment credit risk. The District’s investments are unrated.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund	<u>\$ 21,323,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,323,426</u>

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

All of the District’s investments at December 31, 2021 were with the Utah Public Treasurer’s Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer’s Investment Fund is available at Note 3.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a 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 Council. Rule 17 of the Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Council limitations do not apply to securities issued by the U.S. government and its agencies.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 2 - Deposits and Investments – Continued

All of the District's investments at December 31, 2021 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note 3.

Note 3 – External Investment Pool

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. 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 allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price) and then compare those values to come up with an agreed upon fair value of the securities.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 3 – External Investment Pool - Continued

As of December 31, 2021, the District had \$21.32 million invested in the PTIF which had a fair value of \$21.32 million with an unrealized gain of \$505. Due to the relative insignificance of this amount, the fair value of the investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	65.97%
U.S. Treasury bills	8.43%
Money market agreements	6.49%
Commercial paper	19.11%
	<u>100.00%</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 4 – Restricted Cash and Cash Equivalents

Cash and cash equivalents have been restricted for the following purposes and amounts:

	2021	2020
Revenue bonds		
Current debt service	\$ 771,428	\$ 393,087
Debt service reserves	486,649	486,747
Renewal and replacement and capital facilities construction	1,935,670	2,012,623
Construction account	293,779	276,114
Customer deposits	1,069,403	499,261
Impact fee reserve	5,272,361	2,694,342
Total	\$ 9,829,290	\$ 6,362,174
Included in the accompanying financial statements as follows:		
Current portion restricted cash and cash equivalents	\$ 4,369,179	\$ 3,646,356
Noncurrent restricted cash and cash equivalents	5,460,111	2,715,818
Total	\$ 9,829,290	\$ 6,362,174

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 5 - Capital Assets

A summary of activity in the capital assets for the year ended December 31, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land and water rights	\$20,498,190	\$ -	\$ -	\$ -	\$ 20,498,190
Construction-in-progress	2,524,910	1,160,795	-	(3,160,346)	525,359
	<u>23,023,100</u>	<u>1,160,795</u>	<u>-</u>	<u>(3,160,346)</u>	<u>21,023,549</u>
Depreciable Assets					
Buildings	7,771,388	21,608	-	635,637	8,428,633
Improvements other than buildings	85,395,964	1,028,530	-	2,524,709	88,949,203
Furniture and fixtures	131,642	-	-	-	131,642
Machinery and equipment	1,650,457	331,073	-	-	1,981,530
Vehicles	1,236,066	103,072	(74,160)	-	1,264,978
	<u>96,185,517</u>	<u>1,484,283</u>	<u>(74,160)</u>	<u>3,160,346</u>	<u>100,755,986</u>
Less accumulated depreciation					
Buildings	(2,473,538)	(128,788)	-	-	(2,602,326)
Improvements other than buildings	(21,432,775)	(1,504,915)	-	-	(22,937,690)
Furniture and fixtures	(131,642)	-	-	-	(131,642)
Machinery and equipment	(933,890)	(129,014)	-	-	(1,062,904)
Vehicles	(826,340)	(102,863)	74,160	-	(855,043)
Engineering library	-	-	-	-	-
Total accumulated depreciation	<u>(25,798,185)</u>	<u>(1,865,580)</u>	<u>74,160</u>	<u>-</u>	<u>(27,589,605)</u>
Total capital assets being depreciated, net	<u>70,387,332</u>	<u>(381,297)</u>	<u>-</u>	<u>3,160,346</u>	<u>73,166,381</u>
	<u>\$93,410,432</u>	<u>\$ 779,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,189,930</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 5 - Capital Assets - Continued

A summary of activity in the capital assets for the year ended December 31, 2020 was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u>
Capital assets not being depreciated					
Land and water rights	\$ 20,693,190	\$ -	\$ (195,000)	\$ -	\$ 20,498,190
Construction-in-progress	1,003,240	2,795,252	-	(1,273,582)	2,524,910
	<u>21,696,430</u>	<u>2,795,252</u>	<u>(195,000)</u>	<u>(1,273,582)</u>	<u>23,023,100</u>
Depreciable Assets					
Buildings	7,759,547	-	-	11,841	7,771,388
Improvements other than buildings	84,062,676	102,267	-	1,231,021	85,395,964
Furniture and fixtures	151,061	-	(19,419)	-	131,642
Machinery and equipment	1,753,882	154,738	(288,883)	30,720	1,650,457
Vehicles	1,163,432	92,424	(19,790)	-	1,236,066
Engineering library	105,000	-	(105,000)	-	-
	<u>94,995,598</u>	<u>349,429</u>	<u>(433,092)</u>	<u>1,273,582</u>	<u>96,185,517</u>
Less accumulated depreciation					
Buildings	(2,344,923)	(128,615)	-	-	(2,473,538)
Improvements other than buildings	(19,958,967)	(1,473,808)	-	-	(21,432,775)
Furniture and fixtures	(151,061)	-	19,419	-	(131,642)
Machinery and equipment	(1,065,593)	(157,182)	288,883	-	(933,890)
Vehicles	(746,700)	(99,430)	19,790	-	(826,340)
Engineering library	(105,000)	-	105,000	-	-
Total accumulated depreciation	<u>(24,372,244)</u>	<u>(1,859,035)</u>	<u>433,092</u>	<u>-</u>	<u>(25,798,185)</u>
Total capital assets being depreciated, net	<u>70,623,354</u>	<u>(1,509,606)</u>	<u>-</u>	<u>1,273,582</u>	<u>70,387,332</u>
	<u>\$ 92,319,784</u>	<u>\$ 1,285,646</u>	<u>\$ (195,000)</u>	<u>\$ -</u>	<u>\$ 93,410,432</u>

Depreciation expense for 2021 and 2020 was \$1.87 million and \$1.86 million, respectively.

Total contributions-in-aid of construction for 2021 and 2020 were \$1.23 million and \$114,417, respectively.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations

A summary of long-term obligation activity for the year ended December 31, 2021 and 2020 is as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Direct placements					
Bonds payable	\$ 5,228,000	\$ -	\$ (360,000)	\$ 4,868,000	\$ 372,000
Other bonds and long term obligations					
Notes payable	1,297,591	-	(124,869)	1,172,722	130,614
Bonds payable	32,680,000	-	(2,192,000)	30,488,000	2,250,000
Unamortized premiums	632,767	-	(178,232)	454,535	-
Capital lease obligation - Note 8	558,266	-	(558,266)	-	-
Payable to developer	997,572	-	(253,384)	744,188	137,800
Net pension liability	592,151	-	(510,585)	81,566	-
Compensated absences	420,446	250,725	(212,771)	458,400	-
	<u>\$ 42,406,793</u>	<u>\$ 250,725</u>	<u>\$ (4,390,107)</u>	<u>\$ 38,267,411</u>	<u>\$ 2,890,414</u>

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2020</u>	<u>Due Within One Year</u>
Direct placements					
Bonds payable	\$ 5,588,000	\$ -	\$ (360,000)	\$ 5,228,000	\$ 367,000
Other bonds and long term obligations					
Notes payable	1,416,969	-	(119,378)	1,297,591	124,870
Bonds payable	34,745,000	-	(2,065,000)	32,680,000	2,185,000
Unamortized premiums	801,615	-	(168,848)	632,767	-
Capital lease obligation - Note 8	586,330	-	(28,064)	558,266	28,989
Payable to developer	1,104,260	-	(106,688)	997,572	62,235
Net pension liability	1,256,115	-	(663,964)	592,151	-
Compensated absences	409,988	230,152	(219,694)	420,446	-
	<u>\$ 45,908,277</u>	<u>\$ 230,152</u>	<u>\$ (3,731,636)</u>	<u>\$ 42,406,793</u>	<u>\$ 2,768,094</u>

As part of the Series 2014 issuance, a portion of the District's revenue bonds are also now secured by special assessments on property within a special improvement district. Principal and interest payments are due annually and semi-annually.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations – Continued

Debt Coverage

The District complies with its 1.25 debt coverage requirement for its bonding. The debt coverage ratios for 2021 and 2020 were 2.85 and 2.05, respectively.

Debt Schedule

The District has issued the following notes and bonds payable as of December 31, 2021 and 2020:

Series	Original Issue	Interest Rate	Maturity Date	Principal Outstanding	
				2021	2020
Notes Payable					
Weber Basin Water Conservancy					
2009 District Note	\$ 2,033,436	4.6%	2029	\$ 968,382	\$ 1,083,922
2017 District Note	247,060	4.6%	2037	204,340	213,669
				<u>1,172,722</u>	<u>1,297,591</u>
Bonds Payable					
Water revenue					
2008	3,026,000	2.00%	2029	1,355,000	1,510,000
2011A	679,000	1.52%	2031	402,000	439,000
2011B	1,278,000	None	2032	720,000	786,000
2012	27,270,000	2.0% - 5.0%	2033	-	1,465,000
2014	8,140,000	2.0% - 5.0%	2034	5,115,000	5,590,000
2019A	25,815,000	1.922% - 3.034%	2034	25,380,000	25,625,000
2019B	2,600,000	2.00%	2039	2,384,000	2,493,000
				<u>35,356,000</u>	<u>37,908,000</u>
Unamortized Premiums					
2012	2,383,832	N/A	2033	-	122,001
2014	904,371	N/A	2034	454,535	510,766
				<u>454,535</u>	<u>632,767</u>
				36,983,257	39,838,358
			Less current portion	<u>(2,752,614)</u>	<u>(2,676,870)</u>
				<u>\$ 34,230,643</u>	<u>\$ 37,161,488</u>

Mountain Regional Water Special Service District
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December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

As of December 31, 2021, the aggregate maturities of notes and bonds payable, including interest, are as follows:

Years Ending December 31,	Notes Payable		Bonds Payable		Total Debt Service Requirement
	Principal	Interest	Principal	Interest	
2022	\$ 130,613	\$ 65,181	\$ 2,622,000	\$ 917,335	\$ 3,735,129
2023	136,622	59,689	2,689,000	862,216	3,747,527
2024	142,907	53,945	2,744,000	799,602	3,740,454
2025	149,480	47,937	2,811,000	734,651	3,743,068
2026	156,357	41,652	2,887,000	665,397	3,750,406
2027-31	372,874	103,567	14,843,000	2,135,066	17,454,507
2032-36	83,869	19,136	6,301,000	347,748	6,751,753
2037-39	-	2,490	459,000	18,480	479,970
	\$ 1,172,722	\$ 393,597	\$ 35,356,000	\$ 6,480,495	\$ 43,402,814

The amortization of the compensated absences, net pension liability, and the payable to developer have not been included in the above schedules due to the uncertainty of the timing of the payments.

Collateral and Events of Default:

All of the District's bonds and the Weber Basin notes are payable from and secured solely by a pledge and assignment of the Net Revenues from the District's water system and funds on deposit in accounts held by the District's trustee, Zions Bank. See Note 7 – Pledged Revenues for further discussion of Net Revenues.

In the event of default on the District's bonds, the trustee may pursue any available remedy by suit at law or in equity to enforce payment of the principal and interest then outstanding or to enforce any obligations of the District under its bond indenture. The District has bond insurance in place on its non-direct placement bonds and in the event of default under the District's bond indenture, the insurer becomes the sole owner of the bonds and is entitled to control and direct the enforcement of all rights and remedies granted to the owners of the bonds.

Mountain Regional Water Special Service District
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Note 6 - Long-term Obligations - Continued

Details of Direct Placement Bonds

Series 2008 Water Revenue Bonds

Type: Direct Placement
Purpose: Construction of a fire prevention system in the Stagecoach Area
Date of issuance: September 4, 2008
Term: 20 years
Interest rate: 2.00%
Original Issue: \$3,026,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 158,000	\$ 27,100	\$ 185,100
2023	161,000	23,940	184,940
2024	164,000	20,720	184,720
2025	168,000	17,440	185,440
2026	171,000	14,080	185,080
2027	174,000	10,660	184,660
2028	178,000	7,180	185,180
2029	181,000	3,620	184,620
	<u>\$ 1,355,000</u>	<u>\$ 124,740</u>	<u>\$ 1,479,740</u>

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

Series 2011A Water Revenue Refunding Bonds

Type: Direct Placement
Purpose: Refunding Series 2002 and Series 2009A Water Revenue Bonds
Date of issuance: December 22, 2011
Term: 20 years
Interest rate: 1.52%
Original Issue: \$679,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 38,000	\$ 6,110	\$ 44,110
2023	38,000	5,533	43,533
2024	39,000	4,955	43,955
2025	39,000	4,362	43,362
2026	40,000	3,770	43,770
2027	40,000	3,162	43,162
2028	41,000	2,554	43,554
2029	42,000	1,930	43,930
2030	42,000	1,292	43,292
2031	43,000	654	43,654
	<u>\$ 402,000</u>	<u>\$ 34,322</u>	<u>\$ 436,322</u>

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

Series 2011B Water Revenue Bonds

Type: Direct Placement
Purpose: Acquisition, construction and installation of a new SCADA system and a skid-mounted pretreatment unit at the treatment plan
Date of issuance: May 17, 2012
Term: 20 years
Interest rate: 0.00%
Original Issue: \$1,278,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 65,000	\$ -	\$ 65,000
2023	66,000	-	66,000
2024	65,000	-	65,000
2025	66,000	-	66,000
2026	65,000	-	65,000
2027	66,000	-	66,000
2028	65,000	-	65,000
2029	66,000	-	66,000
2030	65,000	-	65,000
2031	66,000	-	66,000
2032	65,000	-	65,000
	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 720,000</u>

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

Series 2019B Water Revenue Bonds

Type: Direct Placement
Purpose: Construction costs to improve the Community Water System
Date of issuance: December 12, 2019
Term: 20 years
Interest rate: 2.00%
Original Issue: \$2,600,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 111,000	\$ 47,680	\$ 158,680
2023	114,000	45,460	159,460
2024	116,000	43,180	159,180
2025	118,000	40,860	158,860
2026	121,000	38,500	159,500
2027	123,000	36,080	159,080
2028	125,000	33,620	158,620
2029	128,000	31,120	159,120
2030	130,000	28,560	158,560
2031	133,000	25,960	158,960
2032	136,000	23,300	159,300
2033	138,000	20,580	158,580
2034	141,000	17,820	158,820
2035	144,000	15,000	159,000
2036	147,000	12,120	159,120
2037	150,000	9,180	159,180
2038	153,000	6,180	159,180
2039	156,000	3,120	159,120
	<u>\$ 2,384,000</u>	<u>\$ 478,320</u>	<u>\$ 2,862,320</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

Details of Other Bonds

Series 2014 Water Revenue Bonds

Type: Public Offering
Purpose: Construction of water system and other related improvements
Date of issuance: December 18, 2014
Term: 20 years
Interest rate: 2.00% to 4.50%
Original Issue: \$8,140,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 485,000	\$ 209,263	\$ 694,263
2023	505,000	194,713	699,713
2024	520,000	174,513	694,513
2025	540,000	153,713	693,713
2026	565,000	132,113	697,113
2027	585,000	109,513	694,513
2028	610,000	84,650	694,650
2029	640,000	58,725	698,725
2030	665,000	29,925	694,925
	<u>\$ 5,115,000</u>	<u>\$ 1,147,128</u>	<u>\$ 6,262,128</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 6 - Long-term Obligations - Continued

Series 2019A Water Revenue Refunding Bonds

Type: Public Offering
Purpose: Partial Refunding of Series 2012 and Series 2014 Water Revenue Bonds
Date of issuance: November 7, 2019
Term: 15 years
Interest rate: 1.92% to 3.03%
Original Issue: \$25,815,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,765,000	\$ 627,182	\$ 2,392,182
2023	1,805,000	592,570	2,397,570
2024	1,840,000	556,234	2,396,234
2025	1,880,000	518,276	2,398,276
2026	1,925,000	476,934	2,401,934
2027	1,965,000	432,678	2,397,678
2028	2,010,000	385,833	2,395,833
2029	2,065,000	335,904	2,400,904
2030	2,115,000	283,578	2,398,578
2031	2,480,000	227,868	2,707,868
2032	2,545,000	160,066	2,705,066
2033	2,625,000	87,940	2,712,940
2034	360,000	10,922	370,922
	<u>\$ 25,380,000</u>	<u>\$ 4,695,985</u>	<u>\$ 30,075,985</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 7 – Pledged Revenues

The District has pledged all its cash Net Revenue, excluding grants, totaling \$54.25 million through 2039 - which is 1.25 times the \$43.40 million in required parity debt service payments through 2039. Parity debt includes water revenue bonds plus notes payables issued by Weber Basin Water Conservation District. These bonds and notes were used to finance infrastructure improvements within the District.

Net Revenue is defined as all gross cash revenue, excluding grants, less reasonable Operations & Maintenance costs for the District to operate and maintain the water system in good working order. For 2021, Net Revenue was \$10.12 million and debt service payments on the bonds and notes were \$3.55 million. For 2020 Net Revenue was \$7.23 million and debt service payments were \$3.53 million.

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 8 - Payable to Developer

The District entered into an agreement with a developer during 2000 regarding the prepayment of municipal use impact fees. Under the terms of this agreement, the developer agreed to prepay the District \$6,300 per Equivalent Residential Connection (ERC) for 240 ERC's. These prepaid impact fees were recorded by the District as an accrued liability to the developer. During 2004, the developer prepaid an additional \$1.20 million for the irrigation impact fee or an additional \$9,129 per lot, on the lots still owned by the developer. The developer also prepaid the total impact fee for two other lots at \$16,650 each. These prepaid impact fees were recorded by the District as a payable to the developer.

The District is to repay this liability to the developer through the collection of impact fees from individuals who purchase the building lots from the developer. The outstanding payable to this developer for prepaid impact fees as of December 31, 2021 and 2020 was \$744,188 and \$997,572 respectively.

Note 9 – Compensated Absences

Full-time, regular employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Regular employees are entitled to all accrued vacation leave upon separation.

Employees also earn sick leave which may be accumulated up to 400 hours. Upon separation from the District, all sick leave earned prior to January 1, 2017 is paid out at 100 percent of the amount accrued, while sick leave earned after January 1, 2017 is paid out at 50 percent of the amount accrued.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans

Plan Description

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

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided

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

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

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

*Actuarial reductions are applied.

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

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2021 are as follows:

Utah Retirement Systems

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111 - Local Government Division - Tier 2	N/A	16.07	0.62
Noncontributory System			
15 - Local Government Division - Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69	10.00

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

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

For fiscal year ended December 31, 2021, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 201,766	N/A
Tier 2 Public Employees System	100,054	-
Tier 2 DC Only System	26,054	N/A
Total Contributions	<u>\$ 327,874</u>	<u>\$ -</u>

For fiscal year ended December 31, 2020, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 221,480	N/A
Tier 2 Public Employees System	76,278	-
Tier 2 DC Only System	20,502	N/A
Total Contributions	<u>\$ 318,260</u>	<u>\$ -</u>

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

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

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

At December 31, 2021 and 2020, the District reported no net pension asset, and a net pension liability of \$81,566 and \$592,151, respectively.

(Measurement Date): December 31, 2020

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2019</u>	<u>Increase/ (Decrease)</u>
Noncontributory System	\$ -	\$ 77,223	0.1505482%	0.1554776%	(0.0049294)%
Tier 2 Public Employees System	-	4,343	0.0301956%	0.0274599%	0.0027357%
	<u>\$ -</u>	<u>\$ 81,566</u>			

(Measurement Date): December 31, 2019

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2018</u>	<u>Increase/ (Decrease)</u>
Noncontributory System	\$ -	\$ 585,975	0.1554776%	0.1689206%	(0.0134430)%
Tier 2 Public Employees System	-	6,176	0.0274599%	0.0285559%	(0.0010960)%
	<u>\$ -</u>	<u>\$ 592,151</u>			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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, 2021 and 2020 the District recognized pension expense of \$83,216 and \$310,517, respectively.

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

At December 31, 2021 and 2020 the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	December 31, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,598	\$ 1,989
Changes in assumptions	5,493	10,259
Net difference between projected and actual earnings on pension plan investments	-	576,579
Changes in proportion and differences between contributions and proportionate share of contributions	6,667	51,242
Contributions subsequent to the measurement date	327,874	-
Total	\$ 447,632	\$ 640,069

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,029	\$ 10,537
Changes in assumptions	64,699	177
Net difference between projected and actual earnings on pension plan investments	-	301,080
Changes in proportion and differences between contributions and proportionate share of contributions	4,991	59,904
Contributions subsequent to the measurement date	318,259	-
Total	\$ 442,978	\$ 371,698

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

\$327,874 reported as deferred outflows of resources related to pensions results from contributions made by the District prior to its fiscal year end, but subsequent to the measurement date of December 31, 2020. 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,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (159,773)
2023	(74,002)
2024	(200,806)
2025	(94,359)
2026	1,466
Thereafter	7,163

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age, as appropriate, with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

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:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	37.00%	6.30%	2.33%
Debt securities	20.00%	0.00%	0.00%
Real assets	15.00%	6.19%	0.93%
Private equity	12.00%	9.50%	1.14%
Absolute return	16.00%	2.75%	0.44%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.84%
	Inflation		2.50%
	Expected arithmetic nominal return		7.34%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.45% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95%.

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 1,338,811	\$ 77,223	\$ (974,501)
Tier 2 Public Employees System	73,079	4,343	(48,238)
Total	<u>\$ 1,411,890</u>	<u>\$ 81,566</u>	<u>\$ (1,022,739)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position 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.

Mountain Regional Water SSD participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- *401(k) Plan

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 10– Employee Retirement Systems and Pension Plans - Continued

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

401(k) Plan	2021	2020	2019
Employer Contributions	\$ 43,566	\$ 35,252	\$ 33,192
Employee Contributions	-	-	-

Note 11 - Related Party Transactions

Summit County, a related party, purchases water from the District at board approved water rates. The District sold water totaling \$47,083 and \$47,888 to the County during the years ended December 31, 2021 and 2020, respectively. The amount owed to the District from Summit County at December 31, 2021 and 2020 totaled \$3,414 and \$3,062, respectively.

Snyderville Basin Special Recreation District (SBSRD), a component unit of Summit County, also purchases water from the District at board approved water rates. The District sold water totaling \$38,537 and \$46,436 to SBSRD during the years ended December 31, 2021 and 2020, respectively. The amount owed the District from SBSRD at December 31, 2021 and 2020 totaled \$852 and \$782, respectively.

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District is a member of the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah local governments. The District pays an annual premium to ULGT for its general insurance coverage. During 2021 and 2020, the District did not increase any level of insurance coverage, but did add coverage for new infrastructure and equipment. Settlement amounts have not exceeded insurance coverage for the current year or prior years.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021 and 2020

Note 12 - Risk Management - Continued

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims information for the past two years is as follows:

	2021	2020
Claims liability, January 1	\$ 24,333	\$ 904
Claims incurred during the year and changes in estimates	38,024	66,802
Payments on claims during the year		
Payments made by insurance	44,443	43,373
Payments made by the District	-	-
Claims liability, December 31	\$ 17,914	\$ 24,333

**REQUIRED SUPPLEMENTARY INFORMATION –
PENSIONS**

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
**SCHEDULE OF THE PROPORTIONAL SHARE OF THE NET
PENSION LIABILITY – UTAH RETIREMENT SYSTEMS**
For the Year Ended December 31, 2021
With a Measurement Date of December 31, 2020
Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.1505482%	0.1554776%	0.1689206%	0.1738540%	0.1737704%	0.1712125%	0.1633703%
Proportionate share of the net pension liability (asset)	\$ 77,223	\$ 585,975	\$ 1,243,885	\$ 761,707	\$ 1,115,819	\$ 968,804	\$ 709,392
Covered employee payroll	\$ 1,212,062	\$ 1,276,178	\$ 1,391,796	\$ 1,451,472	\$ 1,467,356	\$ 1,412,164	\$ 1,359,927
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.4%	45.9%	89.4%	52.5%	76.0%	68.6%	52.2%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.2%	93.7%	87.0%	91.9%	87.3%	87.8%	90.2%

Tier 2 Public Employees System for the Fiscal Years Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0301956%	0.0274599%	0.0285559%	0.0246634%	0.0302245%	0.0397209%	0.0445357%
Proportionate share of the net pension liability (asset)	\$ 4,343	\$ 6,176	\$ 12,230	\$ 2,175	\$ 3,372	\$ (87)	\$ (1,350)
Covered employee payroll	\$ 482,509	\$ 381,495	\$ 332,677	\$ 241,614	\$ 247,865	\$ 256,656	\$ 218,559
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.9%	1.6%	3.7%	0.9%	1.4%	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.3%	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

*In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10 year history of their proportionate share of the net pension liability (asset) in their RSI. The District will continue to present information for available years until a full 10 year trend is compiled.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
**SCHEDULE OF CONTRIBUTIONS -
UTAH RETIREMENT SYSTEMS**
For the Year Ended December 31, 2021

	As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Noncontributory System						
	2014	\$ 244,034	\$ 244,034	\$ -	\$ 1,361,027	17.93%
	2015	\$ 260,772	\$ 260,772	\$ -	\$ 1,405,863	18.55%
	2016	\$ 271,021	\$ 271,021	\$ -	\$ 1,484,334	18.26%
	2017	\$ 269,625	\$ 269,625	\$ -	\$ 1,455,675	18.52%
	2018	\$ 257,065	\$ 257,065	\$ -	\$ 1,499,825	17.14%
	2019	\$ 235,447	\$ 235,447	\$ -	\$ 1,274,754	18.47%
	2020	\$ 221,480	\$ 221,480	\$ -	\$ 1,239,568	17.87%
	2021	\$ 201,766	\$ 201,766	\$ -	\$ 1,092,397	18.47%
Tier 2 Public Employees System*						
	2014	\$ 29,018	\$ 29,018	\$ -	\$ 205,920	14.09%
	2015	\$ 39,235	\$ 39,235	\$ -	\$ 262,913	14.92%
	2016	\$ 38,422	\$ 38,422	\$ -	\$ 257,695	14.91%
	2017	\$ 36,444	\$ 36,444	\$ -	\$ 244,848	14.88%
	2018	\$ 51,080	\$ 51,080	\$ -	\$ 332,852	15.35%
	2019	\$ 59,522	\$ 59,522	\$ -	\$ 381,495	15.60%
	2020	\$ 76,278	\$ 79,278	\$ -	\$ 484,853	15.73%
	2021	\$ 100,054	\$ 100,054	\$ -	\$ 627,429	15.95%
Tier 2 Public Employees DC Only System*						
	2014	\$ 705	\$ 705	\$ -	\$ 12,639	5.58%
	2015	\$ 3,524	\$ 3,524	\$ -	\$ 52,533	6.71%
	2016	\$ 8,697	\$ 8,697	\$ -	\$ 130,001	6.69%
	2017	\$ 14,081	\$ 14,081	\$ -	\$ 210,476	6.69%
	2018	\$ 16,813	\$ 16,813	\$ -	\$ 251,311	6.69%
	2019	\$ 19,429	\$ 19,429	\$ -	\$ 290,416	6.69%
	2020	\$ 20,502	\$ 20,502	\$ -	\$ 311,533	6.58%
	2021	\$ 26,054	\$ 26,054	\$ -	\$ 389,448	6.69%

* 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.

Paragraph 81.b of GASB 68 requires employers to disclose a 10 year history of contributions in RSI. The District will continue to present information for available years until a full 10 year trend is compiled. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative practices.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

Note 1 – Changes in Assumptions

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, with is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the “Retirement Office” column using the “Reports and Stats” tab.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
DEBT COVERAGE RATIO
For the Year Ended December 31, 2021

Bond covenants require the District to set rates, fees, and ongoing expenditures such that once all other operational costs are paid each year, the amount left to pay debt service is 1.25 times scheduled parity debt payments. As shown below, the debt coverage ratio from current year operations increased from 2.05 in 2020 to 2.85 in 2021.

Mountain Regional Water Special Service District's Debt Service Coverage Ratio

	2021	2020	2019
Water sales	\$ 11,770,052	\$ 11,822,970	\$ 9,508,637
Operating fees	624,446	535,830	463,753
Impact fees	3,397,951	735,399	1,157,279
SID assessments	717,204	493,489	393,929
Interest available for debt service	71,899	164,660	393,473
Treatment Plant Stabilization Fund	-	123,854	92,334
Other non-restricted cash revenue	719,249	507,827	398,423
Total cash revenue available for debt service from current year operations	<u>17,300,801</u>	<u>14,384,029</u>	<u>12,407,828</u>
Current year cash operating expenses	<u>(7,179,943)</u>	<u>(7,154,737)</u>	<u>(6,402,353)</u>
Net Revenue available for debt service payments from current year operations	<u>\$ 10,120,858</u>	<u>\$ 7,229,292</u>	<u>\$ 6,005,475</u>
Current year parity debt service payments	<u>\$ 3,546,513</u>	<u>\$ 3,526,528</u>	<u>\$ 2,814,575</u>
Debt service coverage from current year operations	<u>2.85</u>	<u>2.05</u>	<u>2.13</u>
Net Revenue available for debt service payments from current year operations	\$ 10,120,858	\$ 7,229,292	\$ 6,005,475
Rate Stabilization account balance	<u>1,439,940</u>	<u>1,299,765</u>	<u>1,408,856</u>
Total cash available for debt service payments	<u>\$ 11,560,798</u>	<u>\$ 8,529,057</u>	<u>\$ 7,414,331</u>
Debt service coverage with Rate Stabilization account	<u>3.26</u>	<u>2.42</u>	<u>2.63</u>

The increase in the ration during 2021 is due primarily to the extraordinary amount of impact fee revenues during the year. The decrease in the ratio during 2020 is due to the increase in debt service payments after a one-year drop during 2019.

The District does not expect this ratio to remain at these levels in the long-term. The ratio is anticipated to be 1.67 at December 31, 2022, based on the 2022 budget which was prepared assuming water sales being flat in comparison to actual water sales from 2021. The 2022 budget also includes \$1.6 million in impact fee revenues, as the District does not anticipate impact fees will be nearly as high as they were in 2021.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
CASH FLOW ANALYSIS
For the Year Ended December 31, 2021

As shown below, total cash and cash equivalents increased \$5.47 (33.3%) in 2021 and \$1.07 million (7.0%) in 2020.

Mountain Regional Water Special Service District's Cash and Cash Equivalents Summary

	2021	2020	2019	2021 to 2020		2020 to 2019	
				Change		Change	
				\$	%	\$	%
Unrestricted							
Operating	\$ 7,763,385	\$ 6,344,666	\$ 5,423,063	\$ 1,418,719	22.4 %	\$ 921,603	17.0 %
Rate stabilization reserves for:							
Debt service	1,164,468	1,160,028	1,147,635	4,440	0.4	12,393	1.1
Treatment plant	275,471	139,737	261,221	135,734	97.1	(121,484)	(46.5)
Regionalization reserves	<u>2,857,350</u>	<u>2,416,846</u>	<u>1,892,535</u>	<u>440,504</u>	<u>18.2</u>	<u>524,311</u>	<u>27.7</u>
Total unrestricted cash and cash equivalents	<u>12,060,674</u>	<u>10,061,277</u>	<u>8,724,454</u>	<u>1,999,397</u>	<u>19.9</u>	<u>1,336,823</u>	<u>15.3</u>
Restricted for debt payments							
Held by trustee	569,422	527,108	841,070	42,314	8.0	(313,962)	(37.3)
Held by district	<u>688,655</u>	<u>352,726</u>	<u>213,428</u>	<u>335,929</u>	<u>95.2</u>	<u>139,298</u>	<u>65.3</u>
Total cash and cash equivalents restricted for debt payments	<u>1,258,077</u>	<u>879,834</u>	<u>1,054,498</u>	<u>378,243</u>	<u>43.0</u>	<u>(174,664)</u>	<u>(16.6)</u>
Other restricted							
Impact fee reserves	5,272,361	2,694,342	2,629,813	2,578,019	95.7	64,529	2.5
Capital facilities construction, repair & replacement reserves	1,935,670	2,012,623	1,507,080	(76,953)	(3.8)	505,543	33.5
Customer deposits	1,069,403	499,261	489,409	570,142	114.2	9,852	2.0
Bond construction	<u>293,779</u>	<u>276,114</u>	<u>948,802</u>	<u>17,665</u>	<u>6.4</u>	<u>(672,688)</u>	<u>(70.9)</u>
Total liabilities	<u>8,571,213</u>	<u>5,482,340</u>	<u>5,575,104</u>	<u>3,088,873</u>	<u>56.3</u>	<u>(92,764)</u>	<u>(1.7)</u>
Total cash and cash equivalents	<u>\$ 21,889,964</u>	<u>\$ 16,423,451</u>	<u>\$ 15,354,056</u>	<u>\$ 5,466,513</u>	<u>33.3 %</u>	<u>\$ 1,069,395</u>	<u>7.0 %</u>

During 2021, unrestricted cash reserves increased by \$2.00 million (19.9%) due primarily to reduced operating expenses. Unrestricted cash reserves increased by \$1.34 million (15.3%) in 2020 due to the increased water sales that arose from the hotter weather in 2020.

Furthermore, regionalization reserves increased by \$440,504 in 2021 and \$524,311 in 2020 as the District continued to fund this reserve with wholesale water sales to Weber Basin.

The treatment plant reserve increased by \$135,734 in 2021 as the District builds the reserve for replacement of carbon and membranes. This reserve decreased by \$121,484 in 2020 due to the purchase of carbon and membranes for the treatment plant.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
CASH FLOW ANALYSIS - Continued
For the Year Ended December 31, 2021

Operating cash and reserves \$7.76 million year-end balance equates to 356 days reserves and is up from \$6.34 million or 332 days reserves at year-end 2020. District policy requires a minimum 120 days reserves year-round.

Cash restricted for debt payments has been maintained at mandatory levels or higher since the District's inception and was \$1.26 million as of December 31, 2021 (\$879,834 at December 31, 2020). The increase in 2021 of \$378,243 (43.0%) is the net of the increase associated with special assessments restricted for use in payment of debt service, less required debt service payments made during the year. The decrease of \$174,664 (16.6%) in 2020 is the result of the cash being used to make required debt service payments.

Other restricted cash increased by \$3.09 million (56.3%) in 2021 due primarily to the significant amount of impact fee revenues collected during the year and also due to increased customer deposits held as of December 31, 2021.

Other restricted cash decreased by \$92,764 (1.7%) in 2020 due primarily to the use of bond construction reserves, offset by an increase in capital facilities construction, repair and replacement reserves.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION
For the Year Ended December 31, 2021

The District realized a \$8.76 million change in net position for 2021. After adjusting the budget for non-cash year-end journal entries, the District's change in net position exceeded budget by \$4.39 million, as shown below.

Mountain Regional Water Special Service District's Budget Comparison

	2021 Amended Budget	Retirement Accrual	Change In Inventory	Contributions In-Aid	2021 Adjusted Budget	2021 Actual	Favorable (Unfavorable)	
Operating revenues:								
Water sales	\$ 11,632,000	\$ -	\$ -	\$ -	\$ 11,632,000	\$ 11,770,048	\$ 138,048	
Operating fees	455,000	-	-	-	455,000	624,446	169,446	
Other	47,500	-	-	-	47,500	54,926	7,426	
Total operating revenue	<u>12,134,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,134,500</u>	<u>12,449,420</u>	<u>314,920</u>	2.60%
Operating expenses:								
Operations								
Energy & resource management	663,800	(27,209)	-	-	636,591	581,381		
Lost Canyon water transmission	1,786,200	(21,372)	-	-	1,764,828	1,638,116		
Treatment plant	850,400	(23,798)	-	-	826,602	659,335		
Distribution	2,964,100	(77,174)	(6,192)	-	2,880,734	2,732,424		
Safety	91,000	(1,629)	-	-	89,371	64,993		
Subtotal Line Item	<u>6,355,500</u>	<u>(151,182)</u>	<u>(6,192)</u>	<u>-</u>	<u>6,198,126</u>	<u>5,676,249</u>	<u>521,877</u>	8.42%
General Manager								
Engineering and development	292,400	(28,100)	-	-	264,300	256,908		
Human resources	133,200	(9,639)	-	-	123,561	122,627		
Legal	70,000	-	-	-	70,000	46,972		
Subtotal Line Item	<u>495,600</u>	<u>(37,739)</u>	<u>-</u>	<u>-</u>	<u>457,861</u>	<u>426,507</u>	<u>31,354</u>	
Public services								
Public services	473,500	(30,999)	-	-	442,501	431,324		
Subtotal Line Item	<u>473,500</u>	<u>(30,999)</u>	<u>-</u>	<u>-</u>	<u>442,501</u>	<u>431,324</u>	<u>11,177</u>	
Financial management								
Financial management	445,900	(24,738)	-	-	421,162	401,202		
Subtotal Line Item	<u>445,900</u>	<u>(24,738)</u>	<u>-</u>	<u>-</u>	<u>421,162</u>	<u>401,202</u>	<u>19,960</u>	
Non-cash Expenses								
Depreciation	1,927,300	-	-	-	1,927,300	1,865,580		
Subtotal Line Item	<u>1,927,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,927,300</u>	<u>1,865,580</u>	<u>61,720</u>	
Total operating expenses	<u>9,697,800</u>	<u>(244,658)</u>	<u>(6,192)</u>	<u>-</u>	<u>9,446,950</u>	<u>8,800,862</u>	<u>646,088</u>	6.84%
Operating income	<u>2,436,700</u>	<u>244,658</u>	<u>6,192</u>	<u>-</u>	<u>2,687,550</u>	<u>3,648,558</u>	<u>961,008</u>	
Non-operating revenue								
Grants	11,700	-	-	-	11,700	11,667	(33)	
Interest income	68,100	-	-	-	68,100	74,335	6,235	
Impact fees	600,000	-	-	-	600,000	3,397,951	2,797,951	466.3%
SID assessments	708,400	-	-	-	708,400	1,054,362	345,962	48.8%
Other non-operating revenue	84,500	-	-	-	84,500	327,164	242,664	287.2%
Total non-operating revenue	<u>1,472,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,472,700</u>	<u>4,865,479</u>	<u>3,392,779</u>	230.4%
Non-operating expenses								
Interest expense	999,900	-	-	-	999,900	961,618	38,282	
Bond insurance cost amortization	2,100	-	-	-	2,100	2,000	100	
Trustee fees	14,000	-	-	-	14,000	13,750	250	
Total non-operating expenses	<u>1,016,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,016,000</u>	<u>977,368</u>	<u>38,632</u>	3.8%
Total non-operating income	<u>456,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,700</u>	<u>3,888,111</u>	<u>3,431,411</u>	
Income (loss) before contributions	<u>2,893,400</u>	<u>244,658</u>	<u>6,192</u>	<u>-</u>	<u>3,144,250</u>	<u>7,536,669</u>	<u>4,392,419</u>	
Contributions-in-aid of construction	-	-	-	1,226,017	1,226,017	1,226,017	-	
Change in net position	<u>\$ 2,893,400</u>	<u>\$ 244,658</u>	<u>\$ 6,192</u>	<u>\$ 1,226,017</u>	<u>\$ 4,370,267</u>	<u>\$ 8,762,686</u>	<u>\$ 4,392,419</u>	100.5%

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION - Continued
For the Year Ended December 31, 2021

The non-cash year-end budget adjustments include the non-budgeted pension accrual required by GASB Statement No. 68. During 2021, \$244,658 was added to the budget to account for the difference between the \$83,216 in actuarial pension expense reported on these financial statements, and the \$327,874 in actual contributions. Projected cash contributions to pension plans are used to develop budgets.

In addition, a \$6,192 increase in inventory during 2021 decreased operating expenses, so the budget was adjusted accordingly.

The \$1.23 million in contributions in-aid-of construction was added to the 2021 budget to account for non-cash contributions of capital assets to the District by developers during the year. The District does not budget for contributions in-aid-of construction since the amounts are not known when the budget is adopted.

The \$4.39 million positive budget variance for 2021 was driven primarily by non-operating revenue exceeding projections by \$3.39 million (230.4%), due to the very high levels of growth in the area and a strong building economy. Impact fees exceeded budget by \$2.8 million (466.3%), SID assessments exceeded budget by \$330,804 (85.6%) and other non-operating revenues exceeded budget by \$257,822 (63.4%), all of which were driven by the growth in the area.

Operating revenues exceeded budget by \$314,920 (2.60%) and operating expenses were \$646,088 (6.84%) under budget.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
IMPACT FEES (CASH BASIS) - Continued
For the Year Ended December 31, 2021

As shown below, the District has collected \$17.93 million in impact fees and another \$571,682 in related interest earnings since impact fees were first adopted by the District in 2003.

Mountain Regional Water Impact Fees Collections & Expenditures							
(Cash Basis)							
	2003 to 2016	2017	2018	2019	2020	2021	Total
Cash Collections							
Impact Fees	\$ 10,120,183	\$ 1,366,580	\$ 1,203,138	\$ 1,103,935	\$ 735,399	\$ 3,397,951	\$ 17,927,186
Interest Earnings	410,901	26,258	42,433	54,441	25,349	12,300	571,682
Total cash collections	<u>10,531,084</u>	<u>1,392,838</u>	<u>1,245,571</u>	<u>1,158,376</u>	<u>760,748</u>	<u>3,410,251</u>	<u>18,498,868</u>
Cumulative cash collections	10,531,084	11,923,922	13,169,493	14,327,869	15,088,617	18,498,868	
Cash Expenditures							
Debt Service ⁽¹⁾	7,374,929	600,000	600,000	700,000	500,000	600,000	10,374,929
District Infrastructure	1,324,214	500,000	625,000	-	196,219	232,232	2,877,665
Total cash expenditures	<u>8,699,143</u>	<u>1,100,000</u>	<u>1,225,000</u>	<u>700,000</u>	<u>696,219</u>	<u>832,232</u>	<u>13,252,594</u>
Cumulative cash expenditures	8,699,143	9,799,143	11,024,143	11,724,143	12,420,362	13,252,594	
Net Cash Flow to Date	\$ 1,831,941	\$ 292,838	\$ 20,571	\$ 458,376	\$ 64,529	\$ 2,578,019	\$ 5,246,274
Cumulative Cash Flow	1,831,941	2,124,779	2,145,350	2,603,726	2,668,255	5,246,274	
Projected Future Uses							
	2022	2023	2024	2025	2026	2027	Total
Debt Service ⁽¹⁾	\$ 1,600,000	\$ 600,000	\$ 338,255	\$ -	\$ -	\$ -	\$ 2,538,255
Capital Projects	1,150,000	1,000,000	558,019	-	-	-	2,708,019
Total Future Cash Expenditures	<u>\$ 2,750,000</u>	<u>\$ 1,600,000</u>	<u>\$ 896,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,246,274</u>
Total Projected Cumulative Cash Flow							\$ -

(1) The following projects are shown at the pro-rata cost, including financing, for the project capacity that will serve new development. These projects were funded with a portion of the proceeds from revenue bonds and state loans.

	Total Project Cost	Cost Allocated to Impact Fees	% New Growth
Funded Projects Completed			
Water Rights & Shares	\$ 32,277,946	\$ 12,218,151	37.9%
Source Development	13,299,382	3,757,260	28.3%
Storage	4,518,596	4,107,741	90.9%
Lost Canyon Importation and Basin Transmission Lines	17,025,819	5,809,768	34.1%
Total Projects	\$ 67,121,743	\$ 25,892,920	38.6%

Max Years Financed	15
Annual Debt Service	\$ 1,726,195

Of this, \$10.37 million has been applied to debt service payments on bonding that funds projects in the capital facilities plan, while another \$2.88 million has been used to pay directly for projects in the capital facilities plan.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
IMPACT FEES (CASH BASIS) - Continued
For the Year Ended December 31, 2021

It is anticipated that \$2.54 million of the current remaining balance will be applied to debt service payments on bonding that funds projects in the capital facilities plan and the remaining \$2.71 million will be used to pay directly for projects in the capital facilities plan in 2022 through 2024.

In 2021, the Districted collected \$3.40 million in impact fee revenues (\$735,399 in 2020). Growth was extremely unpredictable in 2020 and 2021, and is expected to remain above average in 2022. This is reflected in the \$1.6 million budgeted impact fee revenue for 2022. Starting in 2023, growth is expected to stabilize and impact fee revenues are expected to be closer to the current 10-year average of \$1.2 million annually.

Because a significant portion of the District's infrastructure constructed for new development was funded with long-term debt, most impact fees collections are applied to debt service.

Since 2003, about \$25.89 million of District debt payments qualified to be paid from impact fees, while only \$17.93 million in impact fees has been collected. This means impact fee collections have been 69.3% of the amount needed to apply to debt payments, with the rest of the funding for the remaining debt service coming from unrestricted revenue sources such as water sales, interest earnings, and operating fees.

MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF
SUMMIT COUNTY, UTAH)

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

REPORT ON STATE LEGAL COMPLIANCE

FOR THE YEAR ENDED DECEMBER 31, 2021

REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS 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

Administrative Control Board
Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mountain Regional Water Special Service District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Osborne, Robbins & Bahler, PLLC

April 29, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL OVER COMPLIANCE AS REQUIRED
BY THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Administrative Control Board
Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah

REPORT ON COMPLIANCE

We have audited the Mountain Regional Water Special Service District's (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2021.

State compliance requirements were tested for the year ended December 31, 2021 in the following areas:

- Budgetary Compliance
- Fraud Risk Assessment
- Government Fees

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the District's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2021.

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

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

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

Osborne, Robbins & Buhler, PLLC

April 29, 2022

April 29, 2022

Administrative Control Board
Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah

We have audited the financial statements of Mountain Regional Water Special Service District (the District) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 4, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the net pension liability is based on information provided by Utah Retirement Systems (URS). The net pension liability was calculated by actuaries hired by URS, and details about it and the related deferred inflows and outflows of resources were included in the URS annual report as of December 31, 2020. We traced the information to the URS annual report, as well as to specific other data provided by URS to the District. We also noted that URS engaged its auditor to issue a Service Organization Controls (SOC 1) Type 2 report on the design and operating effectiveness regarding census data maintained by URS. This report was intended to meet the needs of the participating employers and their auditors in evaluating the effectiveness of the controls at URS on the URS financial statement assertions. We noted that the opinion of the URS auditors in the SOC 1 Type 2 report was unqualified.

Management's estimate of the depreciation methods and useful lives of the District's capital assets is based on management's determination of the rate at which the usefulness of the capital assets is expected to deteriorate. We have compared the lives and methods used by the District to independent expectations we have established and have concluded they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 4 regarding the District's restricted assets because it provides information about assets that are required to be used for certain purposes and aren't available for general operating needs of the District.

Notes 6 and 7 regarding long-term debt outstanding and pledged revenues at December 31, 2021 is significant to financial statement users because it can be used to understand how the District will meet its debt obligations.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 29, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Required Supplementary Information

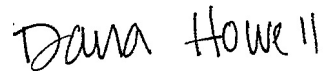
We applied certain limited procedures to the Management's Discussion and Analysis and the Pension information, which are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Information

We were not engaged to report on the transmittal letter and other supplemental financial information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,
OSBORNE ROBBINS & BUHLER PLLC

A handwritten signature in black ink that reads "Dana Howell". The signature is written in a cursive, slightly slanted style.

Dana Howell