

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, 2023 AND 2022

Osborne, Robbins & Buhler, PLLC

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Letter of Transmittal

April 24, 2024

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, 2023.

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, 2023, 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, 2023, 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 Company. 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 51% of its total water production. The remaining 49% 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 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.

The District maintains a centralized, regional water system currently serving 5,502 customers. In addition to those customers, the District provides water for three golf courses, and as mentioned above, wholesale water sales to other water companies. The District produced over 6,100 acre-feet in 2023.

Additionally, 1,056 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 in customer connections during 2023 was 4.9% which is above the historical average of 3.9%.

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. This, along with the rate stabilization, drought and other reserves discussed later, helps stabilize rates and charges despite fluctuations in building related revenue and the impact of weather on water sales. The 2022 rate study conducted by Zions Public Finance, Inc. (ZPFI) in conjunction with the District projected the need for rate increases for five years. For 2023, ZPFI recommended an increase of 8% to the monthly base rate and progressively higher increases to usage tier rates to promote conservation. The District implemented the rate changes effective January 1, 2023. In addition, for 2024, the study recommended an 8% increase to all water rates (both base and usage tiers) which the District implemented January 1, 2024. During 2024, the District will evaluate the 2025 recommendation and adjust as deemed necessary based on growth, usage patterns and the need for capital improvements.

During 2023 the District updated its Capital Facilities Plan and impact fees in accordance with the Utah Impact Fees Act. Bowen Collins & Associates (BCA) was retained to help with the Capital Facilities Plan and ZPFI developed the corresponding updated impact fee rates. As part of the process of developing the impact fee rates, the District implemented a new methodology wherein the primary calculation used is based on gallons per minute required during the peak water usage during the summer. To obtain a building permit and determine the required impact fee, all new construction in the District is required to provide the square footage of the building or home and also the square footage of the irrigated landscaping. Previously the District had determined impact fees for new construction based on estimated usage over an entire year. The new approach is expected to provide a more accurate estimate of each customer's water usage and corresponding demand on the system.

The District established rate stabilization cash reserves to help deal with cyclical development related revenue, assessment prepayments, and treatment plant expenditures 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, which was 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 drought conditions. In 2023, these funds were also approved to be used for the District's Landscape Lawn Exchange program. This program provides financial assistance to customers who remove turf grass and replace it with water-efficient landscaping. This fund had a balance of \$847,460 as of December 31, 2023.

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 2023 the District completed the State of Utah's annual Fraud Risk Assessment and received a Risk Level of "Low". This was presented to the Board in November 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 Counsel.

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 implemented an increase of 8% to both the monthly base rate and usage rate tiers to start calendar year 2024. Another increase is anticipated for 2025 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.

Mountain Regional Water Special Service

Rates & Fees

Effective Date: January 1, 2024 (other than Pumping Surcharge effective February 1, 2024)

WATER RATES	2023 Rates	Approved 2024 Rates	
Residential			
Monthly Base Rate	\$66.75	\$72.09	<i>Per ERC</i>
Usage (in gallons)			
Zero to 5,000	\$2.00	\$2.16	<i>Per 1,000 Gallons</i>
5,001 to 20,000	\$5.20	\$5.62	<i>Per 1,000 Gallons</i>
20,001 to 30,000	\$6.50	\$7.02	<i>Per 1,000 Gallons</i>
30,001 to 40,000	\$10.22	\$11.04	<i>Per 1,000 Gallons</i>
40,001 to 60,000	\$15.82	\$17.09	<i>Per 1,000 Gallons</i>
60,001 to 80,000	\$20.39	\$22.02	<i>Per 1,000 Gallons</i>
80,001 to 100,00	\$30.00	\$32.40	<i>Per 1,000 Gallons</i>
Above 100,000	\$35.00	\$37.80	<i>Per 1,000 Gallons</i>

WATER RATES	2023 Rates	Approved 2024 Rates	
Commercial			
Monthly Base Rate	\$85.65	\$92.50	<i>Per ERC</i>
Usage (in gallons)			
Zero to 5,000	\$3.10	\$3.35	<i>Per 1,000 Gallons</i>
5,001 to 30,000	\$5.50	\$5.94	<i>Per 1,000 Gallons</i>
30,001 to 40,000	\$10.30	\$11.12	<i>Per 1,000 Gallons</i>
40,001 to 60,000	\$16.30	\$17.60	<i>Per 1,000 Gallons</i>
60,001 to 80,000	\$18.10	\$19.55	<i>Per 1,000 Gallons</i>
80,001 to 100,000	\$19.90	\$21.49	<i>Per 1,000 Gallons</i>
Above 100,000	\$23.20	\$25.06	<i>Per 1,000 Gallons</i>

WATER RATES	2023 Rates	Approved 2024 Rates	
Culinary Irrigation			
Monthly Base Rate	\$66.75	\$72.09	<i>Per ERC</i>
Usage (in gallons)			
Zero to 5,000	\$3.10	\$3.35	<i>Per 1,000 Gallons</i>
5,001 to 30,000	\$5.50	\$5.94	<i>Per 1,000 Gallons</i>
30,001 to 40,000	\$10.30	\$11.12	<i>Per 1,000 Gallons</i>
40,001 to 60,000	\$16.30	\$17.60	<i>Per 1,000 Gallons</i>
60,001 to 80,000	\$20.90	\$22.57	<i>Per 1,000 Gallons</i>
80,001 to 100,000	\$25.60	\$27.65	<i>Per 1,000 Gallons</i>
Above 100,000	\$35.00	\$37.80	<i>Per 1,000 Gallons</i>

The 2024 rates include the 8% increase to both base and usage tier water rates as previously mentioned. This rate increase was applied equally to the base and all usage tiers.

In addition to the above rates, some customers also pay a pumping surcharge based on the cost to deliver water to the area in which they reside. The District evaluated the adequacy of this surcharge during 2023 and the resulting changes to the rates went into effect on February 1, 2024.

WATER RATES	2023 Rates	2024 Approved Rates 2/1/2024	
Pumping Surcharge			
OLD RATES:			<i>Per 1,000 Gallons</i>
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		
NEW RATES:			
Colony – Lower		\$1.01	<i>Per 1,000 Gallons</i>
Colony – Upper		\$2.37	<i>Per 1,000 Gallons</i>
White Pine		\$0.16	<i>Per 1,000 Gallons</i>
North Ridge – Lower		\$0.49	<i>Per 1,000 Gallons</i>
North Ridge – Upper		\$3.28	<i>Per 1,000 Gallons</i>
Promontory West Hills		\$0.30	<i>Per 1,000 Gallons</i>
Promontory Middle Valley		\$0.32	<i>Per 1,000 Gallons</i>
Summit Park		\$0.81	<i>Per 1,000 Gallons</i>
Sun Peak		\$0.46	<i>Per 1,000 Gallons</i>
<i>Applies to all water rates. Newly annexed areas will be assigned to the most appropriate pumping surcharge based upon the location of that development.</i>			

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. The all but assured selection of Salt Lake City to host the 2034 Winter Olympic Games should only add to these offerings. There are several upscale gated communities served by the District, two of which have golf courses.

The District currently serves 5,169 residential connections and 333 commercial connections, with an estimated population of 8,940. 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.

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 (WBWCD). 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 2028.

Under the terms of this agreement, the District started paying WBWCD a \$200,000 annual regionalization fee in 2020 which continues for 20 years. 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 WBWCD.

Under this agreement, the District is now selling its surplus water to WBWCD, 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 2025.

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 a Drought Reserve Fund. During 2023, an additional \$1.55 million was transferred out of the regionalization cash reserve to help fund two of the District's more significant capital projects; a new office and maintenance facility and the installation of a floating solar array. Both projects are discussed further below. The remaining regionalization cash reserve balance of \$634,648 at December 31, 2023 can be used

to prepay long-term debt, to offset the \$245,000 additional annual costs related to the regionalization agreement, and other purposes approved by the District's Administrative Control Board.

During 2023, in addition to using some of the regionalization cash reserve, the District issued \$18 million in water revenue bonds to finance the construction of a new office and maintenance facility. The District has experienced significant growth since its inception 24 years ago and has outgrown its current administration and small maintenance facilities. The new office and maintenance facility will allow for more efficient operations and proper storage and maintenance of District equipment. The new facilities will not only meet the current needs of the District, but also have the capacity for expansion in order to make these generational assets for the District.

Also during 2023, the District will complete the construction of a floating solar array on the Signal Hill treatment plant raw water pond. This unique floating solar array will be the first of its kind in Utah. The completion of this project, scheduled for September 2024, will offset 92% of the energy consumed at the facility. This floating array and the District's involvement with the Summit County Power Purchase Agreement for electricity from the Elektron solar farm project in Tooele County, Utah (which will be completed in June 2024) will get the District to nearly a 100% renewable energy for all of its facilities by the end of 2024.

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, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 and 2022 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 16, and the Required Supplementary Information – Pensions on pages 62 through 64 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 66 through 72 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 24, 2024, 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.

April 24, 2024

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

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, 2023 and 2022; 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 \$6.65 million increase in net position for 2023. This exceeded the budgeted increase by \$1.34 million.
- District operating revenue increased by \$708,267 (5.8%) in 2023 due to the rate increase and customer growth, offset by lower usage.
- 2023 operating expenses were \$330,284 (3.1%) under budget due primarily to cost savings in water transmission and distribution expenses due to lower than expected customer usage.
- The District completed \$4.48 million in capital projects during 2023, including the construction of a new tank and the replacement of aging water lines.
- Year-end 2023 operating cash and cash reserves amounted to 353 days in reserve, 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 net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the 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, 2023 and 2022

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

	2023	2022	2021	2023 to 2022		2022 to 2021	
				Change	%	Change	%
Operating revenue	\$ 12,910,812	\$ 12,202,545	\$ 12,449,420	\$ 708,267	5.8 %	\$ (246,875)	(2.0) %
Operating expenses	(10,369,704)	(9,307,350)	(8,800,862)	(1,062,354)	11.4	(506,488)	5.8
Operating income	2,541,108	2,895,195	3,648,558	(354,087)	(12.2)	(753,363)	(20.6)
Non-operating revenue	2,754,736	2,933,911	4,865,479	\$ (179,175)	(6.1)	\$ (1,931,568)	(39.7)
Non-operating expense	(1,211,254)	(1,021,713)	(977,368)	(189,541)	18.6	(44,345)	4.5
Net non-operating revenue (expense)	1,543,482	1,912,198	3,888,111	(368,716)	(19.3)	(1,975,913)	
Income before contributions	4,084,590	4,807,393	7,536,669	(722,803)	(15.0)	(2,729,276)	(36.2)
Capital Contributions	2,560,819	3,310,067	1,226,017	(749,248)	(22.6)	2,084,050	170.0
Special items	-	(491,445)	-	491,445	100.0	(491,445)	(100.0)
Change in net position	6,645,409	7,626,015	8,762,686	(980,606)	(12.9)	(1,136,671)	(13.0)
Net position - beginning	86,720,292	79,094,277	70,331,591	7,626,015	9.6	8,762,686	12.5
Net position - ending	\$ 93,365,701	\$ 86,720,292	\$ 79,094,277	\$ 6,645,409	7.7 %	\$ 7,626,015	9.6 %

Net position increased by \$6.65 million in 2023 to \$93.37 million (a 7.7% increase in ending net position) as shown in the table above. This increase was due in part to capital contributions of \$2.56 million. In addition, operating revenues exceeded operating expenses by \$2.54 million. Non-operating revenue decreased \$179,175 due to lower impact fees and special assessments collected, offset by an increase of \$849,936 in interest income.

Net position increased by \$7.63 million in 2022 to \$86.72 million (a 9.6% increase in ending net position). This increase was due largely to capital contributions of \$3.31 million. In addition, operating expenses were less than operating revenues by \$2.90 million. Impact fees were \$1.50 million which was a decrease from 2021 but still added to the overall increase in net position.

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

	2023	2022	2021	2023 to 2022		2022 to 2021	
				Change \$	%	Change \$	%
Unrestricted current assets	\$ 14,910,258	\$ 15,953,079	\$ 14,984,275	\$ (1,042,821)	(6.5) %	\$ 968,804	6.5 %
Capital assets	104,746,217	98,667,036	94,189,930	6,079,181	6.2	4,477,106	4.8
Other assets	26,629,456	10,869,929	9,882,665	15,759,527	145.0	987,264	10.0
Total assets	<u>146,285,931</u>	<u>125,490,044</u>	<u>119,056,870</u>	<u>20,795,887</u>	16.6	<u>6,433,174</u>	5.4
Deferred outflows of resources	<u>1,626,126</u>	<u>1,481,233</u>	<u>1,414,990</u>	<u>144,893</u>	9.8	<u>66,243</u>	4.7
Unrestricted current liabilities	507,474	432,374	388,953	75,100	17.4	43,421	11.2
Long-term liabilities	48,470,154	33,585,960	35,307,316	14,884,194	44.3	(1,721,356)	(4.9)
Net pension liability	314,634	-	81,566	314,634	-	(81,566)	(100.0)
Other liabilities	4,635,047	4,282,793	4,369,179	352,254	8.2	(86,386)	(2.0)
Total liabilities	<u>53,927,309</u>	<u>38,301,127</u>	<u>40,147,014</u>	<u>15,626,182</u>	40.8	<u>(1,845,887)</u>	(4.6)
Deferred inflows of resources	<u>619,047</u>	<u>1,949,858</u>	<u>1,230,569</u>	<u>(1,330,811)</u>	(68.3)	<u>719,289</u>	58.5
Net position							
Net investment in capital assets	72,971,271	64,104,925	58,467,810	8,866,346	13.8	5,637,115	9.6
Restricted for:							
Capital projects	5,425,796	6,693,071	6,108,832	(1,267,275)	(18.9)	584,239	9.6
Debt service	1,162,653	1,333,045	1,203,726	(170,392)	(12.8)	129,319	10.7
Unrestricted	<u>13,805,981</u>	<u>14,589,251</u>	<u>13,313,909</u>	<u>(783,270)</u>	(5.4)	<u>1,275,342</u>	9.6
Total net position	<u>\$ 93,365,701</u>	<u>\$ 86,720,292</u>	<u>\$ 79,094,277</u>	<u>\$ 6,645,409</u>	7.7 %	<u>\$ 7,626,015</u>	9.6 %

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 \$72.97 million (78.2%) of total net position in 2023 compared to \$64.10 million (73.9%) in 2022. The \$8.87 million (13.8%) increase in net investment during 2023 arose due to the construction of a new tank in Summit Park, the replacement of a water line in Summit Park, capital contributions and principal payments on debt. The \$5.64 million (9.6%) increase in net investment during 2022 arose due to principal payments on debt, the purchase of land from Summit County for use as a future office and maintenance facility, and capital contributions.

Capital assets accounted for \$104.75 million (71.6%) of total assets in 2023; compared to \$98.67 million (78.6%) of total assets in 2022. Long-term liabilities (mostly bonds) accounted for \$48.47 million (89.9%) of total liabilities in 2023, compared to \$33.59 million (87.7%) in 2022.

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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 2023, net position restricted for capital projects decreased \$1.27 million (18.9%). This decrease arose when the District used impact fee reserves as well as revenue bond repair and replacement funds for construction of certain qualified projects. The use of these funds was offset by impact fees revenues recognized during the year. In 2022, net position restricted for capital projects increased \$584,239 (9.6%) resulting largely from impact fee revenues recognized during the year.

In 2023, net position restricted for debt service decreased by \$170,392 (12.8%). The decrease was due in part to the use of special assessment revenues that had been collected in prior years and held for use in funding a portion of the debt service on the District's 2014 bonds. Additionally, interest on the new 2023 bonds was accrued at year end, but the District wasn't required to start making deposits to the restricted bond trust account until 2024. In 2022, net position restricted for debt service increased by \$129,319 (10.7%), the result of required contributions to debt service trust accounts in excess of debt service requirements for the year.

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.

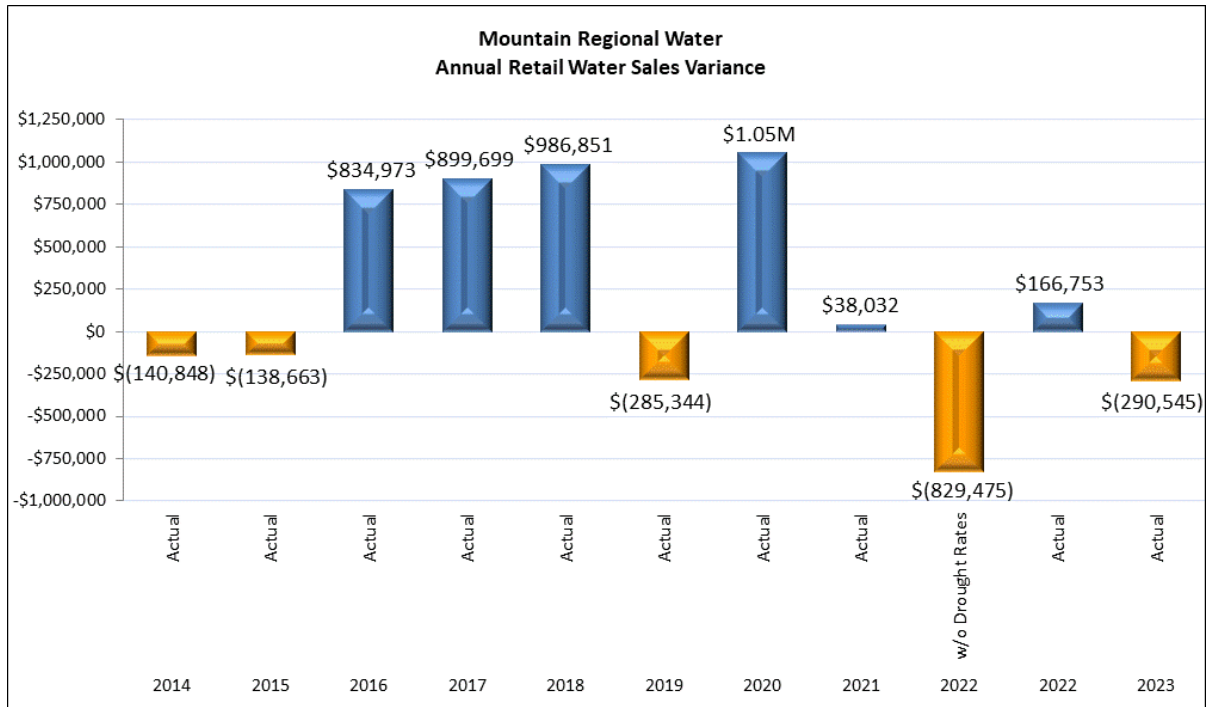
Unrestricted net position decreased in 2023 by \$783,270 (5.4%) due largely to the use of these amounts to fund construction of capital assets. Unrestricted net position increased in 2022 by \$1.28 million (9.6%) primarily because operating expenses were less than water sales and other operating revenues.

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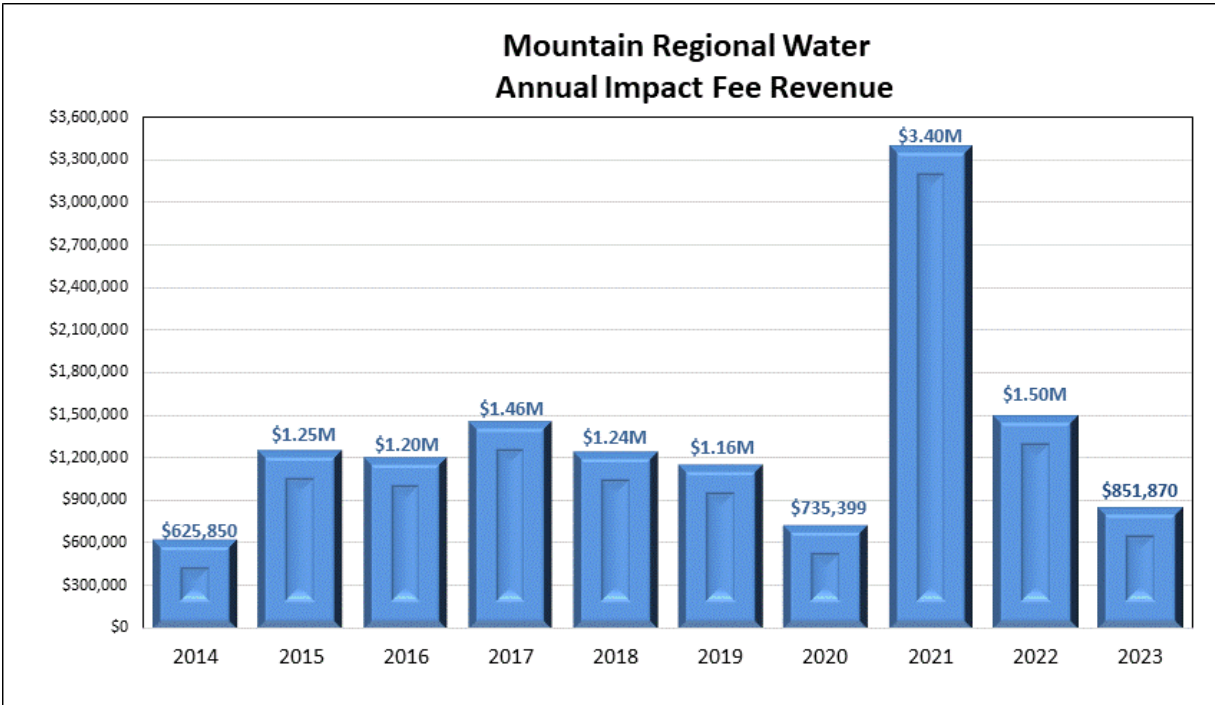
For example, the chart below shows the annual retail water sales budget variance over the past ten years, using the figures representing the variance between the original adopted budgeted revenues in comparison to final actual results.



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. In 2022, usage was down significantly as watering restrictions were put in place due to drought conditions. However, the District has in place a Drought Response Plan that includes increasing rates to promote conservation and help offset any potential decrease in revenue. In 2023 the irrigation season was shorter than normal due to the large snowpack that accumulated during the winter of 2022 and 2023 and also due to the early start to cool wet weather in the fall of 2023. Thus, revenue was lower than budgeted in May, June, September and October, but remained closer to budgeted amounts in the other months of the year. As noted above, the variance from the original budget was (\$290,545).

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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 2013, impact fee revenues have ranged from an extreme high of \$3.40 million in 2021 to a low of \$625,850 in 2014.



During 2021, 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 chose to relocate from large metropolitan areas in favor of more rural living. During 2022 and 2023, impact fees declined to more typical levels. It is difficult to predict impact fee revenues for 2024 as many growth and economic factors are in play, however, they are expected remain fairly consistent with 2023.

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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As shown below, total revenue increased by \$529,092 (3.5%) in 2023 to \$15.67 million while total revenue decreased by \$2.18 million (12.6%) in 2022 to \$15.14 million.

Mountain Regional Water Special Service District's Revenue Summary

	2023	2022	2021	2023 to 2022		2022 to 2021	
				Change	%	Change	%
	\$	\$	\$	\$	%	\$	%
Operating							
Retail water sales	\$ 10,256,054	\$ 9,686,476	\$ 9,135,828	\$ 569,578	5.9 %	\$ 550,648	6.0 %
Wholesale water sales & wheeling fees	1,970,448	1,909,727	2,634,220	60,721	3.2	(724,493)	(27.5)
Operating fees	622,151	554,357	624,446	67,794	12.2	(70,089)	(11.2)
Other	62,159	51,985	54,926	10,174	19.6	(2,941)	(5.4)
Total operating	<u>12,910,812</u>	<u>12,202,545</u>	<u>12,449,420</u>	<u>708,267</u>	5.8	<u>(246,875)</u>	(2.0)
Non-Operating							
Impact fees	851,870	1,499,752	3,397,951	(647,882)	(43.2)	(1,898,199)	(55.9)
Interest income	1,258,030	408,094	74,335	849,936	208.3	333,759	449.0
Special district assessments	542,839	817,771	1,054,362	(274,932)	(33.6)	(236,591)	(22.4)
Intergovernmental grant revenue	11,667	11,666	11,667	1	0.0	(1)	(0.0)
Other nonoperating revenue	57,143	196,628	311,709	(139,485)	(70.9)	(115,081)	(36.9)
Gain on disposal of capital assets	33,187	-	15,455	33,187	-	(15,455)	(100.0)
Total nonoperating	<u>2,754,736</u>	<u>2,933,911</u>	<u>4,865,479</u>	<u>(179,175)</u>	(6.1)	<u>(1,931,568)</u>	(39.7)
Total revenue	<u>\$ 15,665,548</u>	<u>\$ 15,136,456</u>	<u>\$ 17,314,899</u>	<u>\$ 529,092</u>	3.5 %	<u>\$ (2,178,443)</u>	(12.6) %

Retail water sales increased in 2023 by \$569,578 (5.9%) and in 2022 by \$550,648 (6.0%). The District has been actively working with customers on conservation efforts and those efforts to reduce usage were largely offset by customer growth and the 2023 rate increase. The monthly base rate was increased by 8% and then, in an effort to promote conservation, the rate increases grew incrementally higher for each tier of water use beyond the base rate. The 2023 rate increase was the first since 2019, other than "drought rates" which were implemented during the summer of 2022 to address extreme drought conditions that existed at the time.

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. During 2022 the wholesale water revenues decreased by \$724,493 (27.5%) based on the terms in the Weber Basin Regionalization agreement which reduced the delivered acre-feet from 1,100 to 700. Wholesale water revenues remained fairly flat in 2023, increasing only \$60,721 (3.2%) as the 700 acre-feet remained the same in 2023 and 2022.

Growth slowed significantly during the second half of 2022 and impact fee revenues declined by \$1.90 million (55.9%) when compared to 2021. During 2023, the trend continued, and impact fee revenues declined by \$647,882 (43.2%) when compared to 2022.

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Similar to the pattern with impact fees, as growth in the area slowed, the special assessment revenue declined by \$274,932 (33.6%) in 2023 and \$236,591 (22.4%) in 2022.

Summary of Expenses

As shown below, District expenses increased \$1.25 million (12.1%) in 2023 and \$550,833 (5.6%) in 2022.

Mountain Regional Water Special Service District's Expense Summary

	2023	2022	2021	2023 to 2022 Change		2022 to 2021 Change	
				\$	%	\$	%
Operating							
Operations, maintenance and repairs	\$ 3,281,238	\$ 3,048,599	\$ 2,797,417	\$ 232,639	7.6 %	\$ 251,182	9.0 %
Water production	2,411,318	2,257,431	2,297,451	153,887	6.8	(40,020)	(1.7)
Energy and technology management	645,070	624,819	838,289	20,251	3.2	(213,470)	(25.5)
Administration, finance, engineering and legal	1,935,364	1,403,717	1,002,125	531,647	37.9	401,592	40.1
Depreciation	2,096,714	1,972,784	1,865,580	123,930	6.3	107,204	5.7
Total operating	<u>10,369,704</u>	<u>9,307,350</u>	<u>8,800,862</u>	<u>1,062,354</u>	11.4	<u>506,488</u>	5.8
Non-Operating							
Interest expense	1,107,504	1,003,963	961,618	103,541	10.3	42,345	4.4
Bond issuance expenses	90,000	-	-	90,000	-	-	-
Other nonoperating expenses	13,750	17,750	15,750	(4,000)	(22.5)	2,000	12.7
Total nonoperating	<u>1,211,254</u>	<u>1,021,713</u>	<u>977,368</u>	<u>189,541</u>	18.6	<u>44,345</u>	4.5
Total expenses	<u>\$ 11,580,958</u>	<u>\$ 10,329,063</u>	<u>\$ 9,778,230</u>	<u>\$ 1,251,895</u>	12.1 %	<u>\$ 550,833</u>	5.6 %

The Operations, maintenance and repairs increase of \$232,639 (7.6%) is largely due to the ongoing growth of the District and resulting need for increased personnel. In general, the costs of supplies and utilities have increased as a result of inflation.

The \$153,887 (6.8%) increase in Water production was the result of a combination of factors, including additional personnel costs and general inflation related increases to costs of supplies and utilities.

The \$20,251 (3.2%) increase in Energy and technology management was due to increased personnel costs and general inflationary impacts on various services such as cloud and other computer services.

The 2023 increase of \$531,647 (37.9%) in Administration, finance, engineering and legal expenses was due primarily to increased personnel expenses which arose in part when a new person was hired in the engineering department. In addition, some of the increase over 2022 included the cost to perform the rate studies and develop the capital facilities plan. These expenses do not recur on an annual basis, but rather occur every three to five years.

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The \$123,930 (6.3%) increase in Depreciation was due to new capital assets put in place in the past several years.

During 2022 District expenses increased by \$550,833 (5.6%) over the prior year expenses due to increased personnel costs and overall inflationary pressures.

Capital Assets as of December 31

At the end of 2023, the District had invested \$136.03 million in a range of capital assets including land and water rights; water system infrastructure; construction in progress; and buildings, equipment and furnishings. As shown below, after accumulated depreciation, the District’s net capital assets total \$104.75 million.

	(net of depreciation)			2023 to 2022		2022 to 2021	
	2023	2022	2021	Change		Change	
				\$	%	\$	%
Land and water rights	\$ 22,541,554	\$ 22,541,554	\$ 20,498,190	-	-	2,043,364	10.0
Construction in progress	1,350,909	646,017	525,359	704,892	109.1	120,658	23.0
Water system infrastructure	73,267,941	68,103,883	66,011,513	5,164,058	7.6	2,092,370	3.2
Buildings, equipment and furnishings	<u>7,585,813</u>	<u>7,375,582</u>	<u>7,154,868</u>	<u>210,231</u>	2.9	<u>220,714</u>	3.1
Total capital assets (net)	<u>\$ 104,746,217</u>	<u>\$ 98,667,036</u>	<u>\$ 94,189,930</u>	<u>\$ 6,079,181</u>	6.2 %	<u>\$ 4,477,106</u>	4.8 %

Capital assets (net of depreciation) increased \$6.08 million (6.2%) to \$104.75 million in 2023. Significant components of the increase included \$2.56 million in water system assets that were contributed by developers, \$2.41 million to construct a new water tank in Summit Park and \$1.20 million to replace water lines in Summit Park. The District also incurred engineering and design costs of approximately \$560,000 for the new facilities it will be constructing and purchased approximately \$388,000 in machinery, equipment and vehicles.

Capital assets (net of depreciation) increased \$4.48 million (4.8%) to \$98.67 million in 2022, primarily due to \$3.31 million in water system assets that were contributed by developers. During 2022, the District also purchased a 5-acre lot from Summit County for \$2.04 million, approximately \$405,000 in machinery and equipment and \$190,000 in vehicles.

Additional information on the District’s capital assets can be found in Note 6 on pages 35-36 of this report.

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Long-term Obligations Outstanding as of December 31

As shown below, total long-term obligations increased by \$15.20 million (45.3%) in 2023 due to the net effect of the issuance of \$18.00 million in 2023 revenue bonds and regularly scheduled principal payments. In addition, the Net Pension Liability increased by \$314,634 over 2022 when no Net Pension Liability was reported and instead the District reported a Net Pension Asset.

In 2022 outstanding long-term obligations declined \$1.80 million (5.1%) due to scheduled principal payments and a decrease of \$81,566 in the District’s Net Pension Liability. New debt issued in 2022 was a note payable to Summit County to purchase a five-acre lot for future construction of a new administrative office and maintenance facility, and a lease liability for office space.

The District maintains a schedule to pay off all its debt by 2044.

	2023	2022	2021	2023 to 2022		2022 to 2021	
				\$	%	\$	%
Payable to developer	\$ 406,484	\$ 464,164	\$ 606,388	\$ (57,680)	(12.4)	\$ (142,224)	(23.5)
Net pension liability	314,634	-	81,566	314,634	-	(81,566)	(100.0)
Compensated absences	518,855	462,416	458,400	56,439	12.2	4,016	0.9
Lease liabilities	-	35,590	11,885	(35,590)	(100.0)	23,705	199.5
Notes and bonds payable	<u>47,544,815</u>	<u>32,623,790</u>	<u>34,230,643</u>	<u>14,921,025</u>	45.7	<u>(1,606,853)</u>	(4.7)
Total long-term obligations	<u>\$ 48,784,788</u>	<u>\$ 33,585,960</u>	<u>\$ 35,388,882</u>	<u>\$ 15,198,828</u>	45.3 %	<u>\$ (1,802,922)</u>	(5.1) %

In 2022 Fitch affirmed The District’s bond rating as AA and added a “Positive Outlook” to the rating. Fitch reviewed the District’s bond rating in 2023 and maintained the “AA with a Positive Outlook” rating.

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 7 on pages 37-47 of this report.

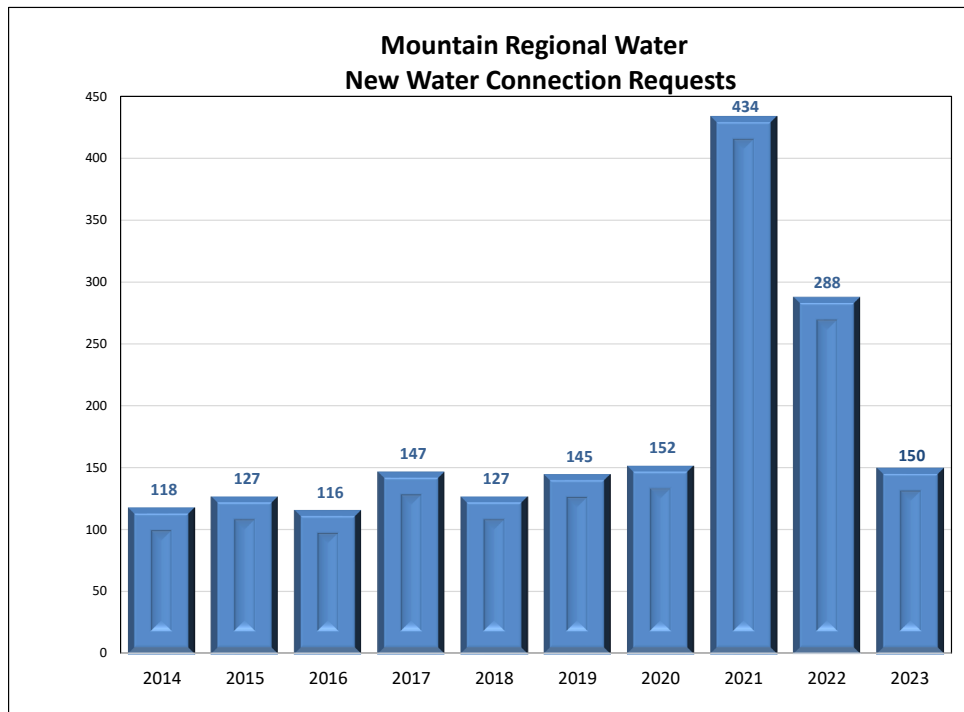
Economic Factors and Next Year’s Operations

The average annual number of nonfarm payroll jobs in Summit County increased by 1.1% from February 2023 to February 2024 which is below the state average of 1.9%. Unemployment in the county was at 2.9% at the end of February 2024, which is slightly higher than the state average of 2.8%. (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, the market is returning to a “closer to normal” situation with the market more affected by higher interest rates and somewhat reduced inventory. In 2023 the real estate market in the greater Park City area (which includes Summit and Wasatch counties) experienced a 2% drop in total sales with a 3% increase to a median sales price of \$1.65 million.

In the Snyderville Basin area specifically (which makes up most of the District’s area), single family units sold increased 4% and the median price increased 7% to \$2.26 million. (Source: Park City Board of Realtors).

These facts correlate with the customer growth in the District returning to more historical levels in 2023 as seen below.



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As shown above, the annual new connection requests vary year to year with the building cycle. In 2021 and 2022 the building cycle was very strong with new connection requests well above the average. In 2023 the requests returned to more normal levels at 150. For 2024 the District is projecting new requests to remain at more historical levels.

The District has budgeted impact fee revenues to be \$800,000 for 2024 which is close to the \$851,870 of impact fee revenues earned in 2023. Because 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 353-day balance at December 31, 2023 is more than sufficient to maintain the 120-day policy minimum throughout 2024.

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	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,699,729	\$ 13,065,775
Receivables		
Accounts receivable	1,162,917	1,111,265
Other	270,710	18,487
Inventory of supplies	139,067	135,087
Prepaid expenses	1,637,835	1,622,465
Current portion, restricted cash and cash equivalents	4,635,047	4,282,793
Total current assets	<u>19,545,305</u>	<u>20,235,872</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	21,957,558	5,664,658
Net pension asset	-	833,069
Right to use leased assets, net of amortization	36,851	89,409
Nondepreciable capital assets	23,892,463	23,187,571
Depreciable capital assets, net	80,853,754	75,479,465
Total noncurrent assets	<u>126,740,626</u>	<u>105,254,172</u>
Total assets	<u>146,285,931</u>	<u>125,490,044</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on bond refunding	807,244	887,301
Pensions	818,882	593,932
	<u>1,626,126</u>	<u>1,481,233</u>

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

	Business-type Activities	
	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 277,630	\$ 185,503
Accrued liabilities	151,532	194,904
Accrued interest	42,722	-
Current portion, lease liabilities	35,590	51,967
Liabilities payable from restricted assets		
Accounts payable	99,501	-
Due to developer	58,280	131,276
Customer deposits	1,111,788	1,104,278
Accrued interest	191,734	61,617
Current portion, payable to developer	151,000	160,000
Current portion, notes and bonds payable	3,022,744	2,825,622
Total current liabilities	<u>5,142,521</u>	<u>4,715,167</u>
LONG-TERM OBLIGATIONS, less current maturities		
Payable to developer	406,484	464,164
Net pension liability	314,634	-
Compensated absences	518,855	462,416
Lease liabilities	-	35,590
Notes and bonds payable	47,544,815	32,623,790
Total liabilities	<u>53,927,309</u>	<u>38,301,127</u>
DEFERRED INFLOWS OF RESOURCES		
Meter revenues received in advance	486,000	639,000
Grant revenues received in advance	116,667	128,334
Pensions	16,380	1,182,524
	<u>619,047</u>	<u>1,949,858</u>
NET POSITION		
Net investment in capital assets	72,971,271	64,104,925
Restricted for:		
Capital projects	5,425,796	6,693,071
Debt service	1,162,653	1,333,045
Unrestricted	13,805,981	14,589,251
Total net position	<u>\$ 93,365,701</u>	<u>\$ 86,720,292</u>

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	
	2023	2022
Operating revenues*		
Retail water sales	\$ 10,256,054	\$ 9,686,476
Wholesale water sales and wheeling fees	1,970,448	1,909,727
Operating fees	622,151	554,357
Other operating revenues	62,159	51,985
Total operating revenues	<u>12,910,812</u>	<u>12,202,545</u>
Operating expenses		
Operations, maintenance and repairs	3,281,238	3,048,599
Water production	2,411,318	2,257,431
Energy and technology management	645,070	624,819
Administration, finance, engineering and legal	1,935,364	1,403,717
Depreciation	2,096,714	1,972,784
Total operating expenses	<u>10,369,704</u>	<u>9,307,350</u>
Operating income	<u>2,541,108</u>	<u>2,895,195</u>
Nonoperating revenues (expenses)		
Impact fees*	851,870	1,499,752
Interest income*	1,258,030	408,094
Special assessments*	542,839	817,771
Intergovernmental grant revenue	11,667	11,666
Other nonoperating revenue*	57,143	196,628
Gain on disposal of capital assets*	33,187	-
Bond issuance expense	(90,000)	-
Interest expense	(1,107,504)	(1,003,963)
Other nonoperating expenses	(13,750)	(17,750)
Total nonoperating revenues (expenses)	<u>1,543,482</u>	<u>1,912,198</u>
Income before contributions and special items	4,084,590	4,807,393
Capital contributions - assets	2,560,819	3,310,067
Contributions to water supplier	-	(491,445)
Increase in net position	6,645,409	7,626,015
Net position at beginning of year	<u>86,720,292</u>	<u>79,094,277</u>
Net position at end of year	<u>\$ 93,365,701</u>	<u>\$ 86,720,292</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	
	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 12,644,001	\$ 12,498,114
Payments to suppliers of goods and services	(5,154,142)	(5,329,750)
Payments to employees for services	(3,124,336)	(3,077,368)
Other payments	(255,550)	(113,993)
Net cash provided by operating activities	<u>4,109,973</u>	<u>3,977,003</u>
Cash flows from investing activities		
Interest income collected	1,258,030	408,094
Net cash provided by investing activities	<u>1,258,030</u>	<u>408,094</u>
Cash flows from capital and related financing activities		
Impact fees collected	851,870	1,499,752
Special assessments and other nonoperating revenues collected	586,232	996,649
Purchase and construction of capital assets	(5,635,169)	(3,139,823)
Proceeds from sale of capital assets	53,280	-
Payments made on payable to developer	(66,680)	(120,024)
Principal payments made on lease liabilities	(51,967)	(47,904)
Proceeds from issuance of long-term obligations	18,000,000	1,541,000
Bond issuance costs paid	(90,000)	-
Reduction of long-term obligations	(2,825,622)	(3,018,614)
Interest payments made on long-term obligations	(910,839)	(972,871)
Net cash provided by (used in) capital and related financing activities	<u>9,911,105</u>	<u>(3,261,835)</u>
Net increase in cash and cash equivalents	15,279,108	1,123,262
Cash and cash equivalents at beginning of year	<u>23,013,226</u>	<u>21,889,964</u>
Cash and cash equivalents at end of year	<u>\$ 38,292,334</u>	<u>\$ 23,013,226</u>
Cash and cash equivalents consists of:		
Unrestricted cash and cash equivalents	\$ 11,699,729	\$ 13,065,775
Current portion, restricted cash and cash equivalents	4,635,047	4,282,793
Noncurrent restricted cash and cash equivalents	<u>21,957,558</u>	<u>5,664,658</u>
Total cash and cash equivalents	<u>\$ 38,292,334</u>	<u>\$ 23,013,226</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	
	2023	2022
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,541,108	\$ 2,895,195
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	2,149,272	2,018,836
Changes in assets and liabilities		
Accounts receivable	(51,652)	159,054
Other receivables	(252,223)	(3,945)
Inventory of supplies	(3,980)	(1,773)
Prepaid expenses	(15,370)	(117,039)
Changes in net pension asset, liability and deferred inflows and outflows related to pensions	(243,391)	(518,480)
Accounts payable	92,127	(23,318)
Accrued liabilities	(43,372)	56,262
Accounts payable from restricted assets	99,501	(26,827)
Deferred inflows - meter revenues	(153,000)	188,500
Long-term portion compensated absences	56,439	4,016
Decrease in amount due to developer	(72,996)	(221,908)
Collection of deposits	7,510	59,875
Contributions paid to water supplier	-	(491,445)
Net cash provided by operating activities	<u>\$ 4,109,973</u>	<u>\$ 3,977,003</u>
Non-cash investing, capital and financing activities:		
Contributions of capital assets from developers	\$ 2,560,819	\$ 3,310,067
Lease liability issued and right to use asset acquired	-	82,086

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 the Promontory Development within 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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

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 2023 or 2022.

Intangible assets

The District records donated intangible assets meeting the criteria outlined in GASB Statement No. 51 at fair value.

Pensions

For purposes of measuring the net pension asset or 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) including 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, 2023 and 2022

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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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, 2023 and 2022

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, 2023, the book value of cash on deposit was \$327,752 and the bank balance was \$2,366,805 (approximately \$2.1 million 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, 2023 and 2022

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, 2023 are presented below:

Investment Type	Fair Value	Investment Maturity in Years			More Than 10
		Less Than 1	1 - 5	6 - 10	
Utah Public Treasurer's Investment Fund	\$ 37,964,582	\$ 37,964,582	\$ -	\$ -	\$ -

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, 2023 and 2022

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>\$ 37,964,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,964,582</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, 2023 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, 2023 and 2022

Note 2 - Deposits and Investments – Continued

All of the District's investments at December 31, 2023 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, 2023 and 2022

Note 3 – External Investment Pool - Continued

As of December 31, 2023, the District had \$37.96 million invested in the PTIF which had a fair value of \$38.02 million with an unrealized gain of approximately \$58,000. 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	19.61%
U.S. Treasury bills	30.12%
U.S. Agencies	44.05%
Money market agreements	1.22%
Commercial paper	5.00%
	<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, 2023 and 2022

Note 4 – Restricted Cash and Cash Equivalents

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

	2023	2022
Revenue bonds		
Current debt service	\$ 829,935	\$ 883,990
Debt service reserves	524,452	510,672
Renewal and replacement and capital facilities construction	1,492,370	2,017,542
Construction account	17,985,369	-
Customer deposits	1,114,649	1,104,278
Impact fee reserve	4,645,830	5,430,969
Total	\$ 26,592,605	\$ 9,947,451
Included in the accompanying financial statements as follows:		
Current portion restricted cash and cash equivalents	\$ 4,635,047	\$ 4,282,793
Noncurrent restricted cash and cash equivalents	21,957,558	5,664,658
Total	\$ 26,592,605	\$ 9,947,451

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 5 - Right to Use Leased Assets

The District has recorded right to use leased assets in connection with a lease of office space and for a backhoe. The related leases are discussed in the Leases subsection of the Long-term Obligations note below. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Right to use assets				
Leased machinery and equipment	\$ 34,544	\$ -	\$ -	\$ 34,544
Leased office space	82,086	-	-	82,086
	<u>116,630</u>	<u>-</u>	<u>-</u>	<u>116,630</u>
Less accumulated amortization				
Leased machinery and equipment	20,474	11,515	-	31,989
Leased office space	6,747	41,043	-	47,790
Total accumulated amortization	<u>27,221</u>	<u>52,558</u>	<u>-</u>	<u>79,779</u>
Right to use assets, net	<u>\$ 89,409</u>	<u>\$ (52,558)</u>	<u>\$ -</u>	<u>\$ 36,851</u>

Right to use asset activity for the year ended December 31, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Right to use assets				
Leased machinery and equipment	\$ 34,544	\$ -	\$ -	\$ 34,544
Leased office space	97,013	82,086	(97,013)	82,086
	<u>131,557</u>	<u>82,086</u>	<u>(97,013)</u>	<u>116,630</u>
Less accumulated amortization				
Leased machinery and equipment	8,959	11,515	-	20,474
Leased office space	69,223	34,537	(97,013)	6,747
Total accumulated amortization	<u>78,182</u>	<u>46,052</u>	<u>(97,013)</u>	<u>27,221</u>
Right to use assets, net	<u>\$ 53,375</u>	<u>\$ 36,034</u>	<u>\$ -</u>	<u>\$ 89,409</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 6 - Capital Assets

A summary of activity in the capital assets for the year ended December 31, 2023 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	\$ 22,541,554	\$ -	\$ -		\$ 22,541,554
Construction-in-progress	646,017	5,307,278	-	(4,602,386)	1,350,909
	<u>23,187,571</u>	<u>5,307,278</u>	<u>-</u>	<u>(4,602,386)</u>	<u>23,892,463</u>
Depreciable Assets					
Buildings	8,428,633	24,257	-	-	8,452,890
Improvements other than buildings	92,637,991	2,293,541	(144,873)	4,554,499	99,341,158
Furniture, fixtures, engineering library	131,642	150,523	(63,905)	-	218,260
Machinery and equipment	2,386,927	180,740	(87,384)	-	2,480,283
Vehicles	1,456,661	239,649	(101,473)	47,887	1,642,724
	<u>105,041,854</u>	<u>2,888,710</u>	<u>(397,635)</u>	<u>4,602,386</u>	<u>112,135,315</u>
Less accumulated depreciation					
Buildings	(2,748,084)	(145,759)	-	-	(2,893,843)
Improvements other than buildings	(24,534,108)	(1,663,889)	124,780	-	(26,073,217)
Furniture, fixtures, engineering library	(131,642)	-	63,905	-	(67,737)
Machinery and equipment	(1,179,317)	(144,183)	87,384	-	(1,236,116)
Vehicles	(969,238)	(142,883)	101,473	-	(1,010,648)
Total accumulated depreciation	<u>(29,562,389)</u>	<u>(2,096,714)</u>	<u>377,542</u>	<u>-</u>	<u>(31,281,561)</u>
Total capital assets being depreciated, net	<u>75,479,465</u>	<u>791,996</u>	<u>(20,093)</u>	<u>4,602,386</u>	<u>80,853,754</u>
	<u>\$ 98,667,036</u>	<u>\$ 6,099,274</u>	<u>\$ (20,093)</u>	<u>\$ -</u>	<u>\$ 104,746,217</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 6 - Capital Assets - Continued

A summary of activity in the capital assets for the year ended December 31, 2022 was 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	\$ -	\$ -	\$ 2,043,364	\$ 22,541,554
Construction-in-progress	525,359	3,631,267	-	(3,510,609)	646,017
	<u>21,023,549</u>	<u>3,631,267</u>	<u>-</u>	<u>(1,467,245)</u>	<u>23,187,571</u>
Depreciable Assets					
Buildings	8,428,633	-	-	-	8,428,633
Improvements other than buildings	88,949,203	2,245,403	-	1,443,385	92,637,991
Furniture and fixtures	131,642	-	-	-	131,642
Machinery and equipment	1,981,530	381,537	-	23,860	2,386,927
Vehicles	1,264,978	191,683	-	-	1,456,661
	<u>100,755,986</u>	<u>2,818,623</u>	<u>-</u>	<u>1,467,245</u>	<u>105,041,854</u>
Less accumulated depreciation					
Buildings	(2,602,326)	(145,758)	-	-	(2,748,084)
Improvements other than buildings	(22,937,690)	(1,596,418)	-	-	(24,534,108)
Furniture and fixtures	(131,642)	-	-	-	(131,642)
Machinery and equipment	(1,062,904)	(116,413)	-	-	(1,179,317)
Vehicles	(855,043)	(114,195)	-	-	(969,238)
Total accumulated depreciation	<u>(27,589,605)</u>	<u>(1,972,784)</u>	<u>-</u>	<u>-</u>	<u>(29,562,389)</u>
Total capital assets being depreciated, net	<u>73,166,381</u>	<u>845,839</u>	<u>-</u>	<u>1,467,245</u>	<u>75,479,465</u>
	<u>\$ 94,189,930</u>	<u>\$ 4,477,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,667,036</u>

Depreciation expense for 2023 and 2022 was \$2.10 million and \$1.97 million, respectively.

Total contributions-in-aid of construction for 2023 and 2022 were \$2.56 million and \$3.31 million, respectively.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - Long-term Obligations

A summary of long-term obligation activity for the year ended December 31, 2023 and 2022 is as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>	<u>Due Within One Year</u>
Direct placements					
Bonds payable	\$ 4,223,000	\$ 18,000,000	\$ (379,000)	\$ 21,844,000	\$ 384,000
Other bonds and long term obligations					
Notes payable	2,583,108	-	(136,622)	2,446,486	278,744
Bonds payable	28,245,000	-	(2,310,000)	25,935,000	2,360,000
Unamortized premiums	398,304	-	(56,231)	342,073	-
Lease liabilities	87,557	-	(51,967)	35,590	35,590
Payable to developer	624,164	-	(66,680)	557,484	151,000
Net pension liability	-	-	314,634	314,634	-
Compensated absences	462,416	377,428	(320,989)	518,855	-
	<u>\$ 36,623,549</u>	<u>\$ 18,377,428</u>	<u>\$ (3,006,855)</u>	<u>\$ 51,994,122</u>	<u>\$ 3,209,334</u>

	<u>Balance January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2022</u>	<u>Due Within One Year</u>
Direct placements					
Bonds payable	\$ 4,861,000	\$ -	\$ (638,000)	\$ 4,223,000	\$ 372,000
Other bonds and long term obligations					
Notes payable	1,172,722	1,541,000	(130,614)	2,583,108	136,622
Bonds payable	30,495,000	-	(2,250,000)	28,245,000	2,317,000
Unamortized premiums	454,535	-	(56,231)	398,304	-
Lease liabilities	53,375	82,086	(47,904)	87,557	51,967
Payable to developer	744,188	-	(120,024)	624,164	160,000
Net pension liability	81,566	-	(81,566)	-	-
Compensated absences	458,400	273,358	(269,342)	462,416	-
	<u>\$ 38,320,786</u>	<u>\$ 1,896,444</u>	<u>\$ (3,593,681)</u>	<u>\$ 36,623,549</u>	<u>\$ 3,037,589</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, 2023 and 2022

Note 7 - Long-term Obligations – Continued

Debt Coverage

The District complies with its 1.25 debt coverage requirement for its bonding. The debt coverage ratios for 2023 and 2022 were 2.00 and 2.05, respectively.

Debt Schedule – Bonds and Notes Payable

The District has issued the following notes and bonds payable as of December 31, 2023 and 2022:

Series	Original Issue	Interest Rate	Maturity Date	Principal Outstanding	
				2023	2022
Notes Payable					
Summit County					
2022 District Note	\$ 1,541,000	3.0%	2029	\$ 1,541,000	\$ 1,541,000
Weber Basin Water Conservancy					
2009 District Note	\$ 2,033,436	4.6%	2029	721,111	847,526
2017 District Note	247,060	4.6%	2037	184,375	194,582
				<u>2,446,486</u>	<u>2,583,108</u>
Bonds Payable					
Water revenue					
2008	3,026,000	2.00%	2029	1,036,000	1,197,000
2011A	679,000	1.52%	2031	326,000	364,000
2011B	1,278,000	None	2032	589,000	655,000
2014	8,140,000	2.0% - 5.0%	2030	4,125,000	4,630,000
2019A	25,815,000	1.922% - 3.034%	2034	21,810,000	23,615,000
2019B	2,600,000	2.00%	2038	1,893,000	2,007,000
2023	18,000,000	4.15% - 5.85%	2044	18,000,000	-
				<u>47,779,000</u>	<u>32,468,000</u>
Unamortized Premiums					
2014	904,371	N/A	2030	342,073	398,304
				<u>342,073</u>	<u>398,304</u>
				50,567,559	35,449,412
			Less current portion	<u>(3,022,744)</u>	<u>(2,825,622)</u>
				<u>\$ 47,544,815</u>	<u>\$ 32,623,790</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - Long-term Obligations - Continued

As of December 31, 2023, 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	
2024	\$ 277,329	\$ 94,167	\$ 2,744,000	\$ 1,820,462	\$ 4,935,958
2025	287,935	83,849	2,811,000	1,648,299	4,831,083
2026	298,965	73,123	2,887,000	1,579,045	4,838,133
2027	310,436	61,968	2,953,000	1,505,741	4,831,145
2028	318,638	50,369	3,029,000	1,427,485	4,825,492
2029-2033	900,618	108,766	14,370,000	5,889,260	21,268,644
2034-2038	52,565	8,062	7,450,000	4,136,185	11,646,812
2039-2043	-	-	9,320,000	2,244,498	11,564,498
2044	-	-	2,215,000	129,574	2,344,574
	\$ 2,446,486	\$ 480,304	\$ 47,779,000	\$ 20,380,549	\$ 71,086,339

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 8 – 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
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
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>\$ 1,036,000</u>	<u>\$ 73,700</u>	<u>\$ 1,109,700</u>

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
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>\$ 326,000</u>	<u>\$ 22,679</u>	<u>\$ 348,679</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
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>\$ 589,000</u>	<u>\$ -</u>	<u>\$ 589,000</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
2024	\$ 116,000	\$ 37,860	\$ 153,860
2025	118,000	35,540	153,540
2026	121,000	33,180	154,180
2027	123,000	30,760	153,760
2028	125,000	28,300	153,300
2029	128,000	25,800	153,800
2030	130,000	23,240	153,240
2031	133,000	20,640	153,640
2032	136,000	17,980	153,980
2033	138,000	15,260	153,260
2034	141,000	12,500	153,500
2035	144,000	9,680	153,680
2036	147,000	6,800	153,800
2037	150,000	3,860	153,860
2038	43,000	860	43,860
	<u>\$ 1,893,000</u>	<u>\$ 302,260</u>	<u>\$ 2,195,260</u>

Mountain Regional Water Special Service District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - Long-term Obligations - Continued

Series 2023 Water Revenue Bonds

Type: Direct Placement
Purpose: Construction of a campus including an administration building, a shop building, a storage building and all related improvements
Date of issuance: November 3, 2023
Term: 21 years
Interest rate: 4.15% - 5.85%
Original Issue: \$18,000,000

Debt service requirements, including interest:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,026,180	\$ 1,026,180
2025	-	918,968	918,968
2026	-	918,968	918,968
2027	-	918,968	918,968
2028	-	918,968	918,968
2029	-	918,968	918,968
2030	-	918,968	918,968
2031	-	918,968	918,968
2032	-	918,968	918,968
2033	-	918,968	918,968
2034	895,000	918,968	1,813,968
2035	1,305,000	881,825	2,186,825
2036	1,360,000	825,710	2,185,710
2037	1,420,000	765,190	2,185,190
2038	1,485,000	699,870	2,184,870
2039	1,555,000	629,333	2,184,333
2040	1,795,000	551,583	2,346,583
2041	1,885,000	458,243	2,343,243
2042	1,990,000	357,395	2,347,395
2043	2,095,000	247,945	2,342,945
2044	2,215,000	129,578	2,344,578
	<u>\$ 18,000,000</u>	<u>\$ 15,762,525</u>	<u>\$ 33,762,525</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
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>\$ 4,125,000</u>	<u>\$ 743,152</u>	<u>\$ 4,868,152</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - 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>
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>\$ 21,810,000</u>	<u>\$ 3,476,233</u>	<u>\$ 25,286,233</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 7 - Long-term Obligations - Continued

Lease Liabilities

The District has entered into lease agreements for office space and a backhoe. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The agreements consist of the following:

Net Book Value of Right To Use Asset as of December 31,		Type of Right To Use Asset	Discount Rate	Lease Terms
2023	2022			
\$ 36,851	\$ 75,339	Office space	6.95%	Lease executed in November 2022 with monthly payments of \$3,615 for the first 12 months and \$3,690 for the last twelve months. At the conclusion of the twenty four month term, the District may continue to lease the office space on a month to month basis. Discount rate calculated using the District's incremental borrowing rate.
-	14,070	Backhoe	3.25%	Lease executed in March 2021 with three annual payments of \$12,068. Discount rate calculated using the District's incremental borrowing rate.
<u>\$ 36,851</u>	<u>\$ 89,409</u>			

The right to use assets are discussed in more detail at Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2023 were as follows:

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
Year ending December 31:			
2024	\$ 35,590	\$ 1,529	\$ 37,119

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 8 – Pledged Revenues

The District has pledged all its cash Net Revenue, excluding grants, totaling \$88.86 million through 2044 - which is 1.25 times the \$71.09 million in required parity debt service payments through 2044. 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 2023, Net Revenue was \$7.10 million and debt service payments on the bonds and notes were \$3.55 million. For 2022 Net Revenue was \$7.26 million and debt service payments were \$3.53 million.

Note 9 - 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, 2023 and 2022 was \$557,484 and \$624,164 respectively.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 10 – 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.

Note 11 – 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.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

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:

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.*

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

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, 2023 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	16.01	0.18
Noncontributory System			
15 - Local Government Division - Tier 1	N/A	17.97	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.19	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
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

For fiscal year ended December 31, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 233,076	N/A
Tier 2 Public Employees System	192,712	-
Tier 2 DC Only System	17,203	N/A
Total Contributions	<u>\$ 442,991</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.

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

At December 31, 2023, the District reported a net pension liability of \$314,634 and no net pension asset.

(Measurement Date): December 31, 2022

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share</u>	<u>Increase/ (Decrease)</u>
Noncontributory System	\$ -	\$ 263,886	0.1540714%	0.1429613%	0.0111101%
Tier 2 Public Employees System	-	50,748	0.0466060%	0.0338196%	0.0127864%
	<u>\$ -</u>	<u>\$ 314,634</u>			

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023 the District recognized pension expense of \$199,358.

At December 31, 2023 the District reported combined deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	December 31, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,647	\$ 2,014
Changes in assumptions	59,723	1,183
Net difference between projected and actual earnings on pension plan investments	194,522	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,000	13,183
Contributions subsequent to the measurement date	442,990	-
Total	\$ 818,882	\$ 16,380

\$442,990 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, 2022. 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:

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

Year Ended December 31,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2024	\$ (43,133)
2025	16,101
2026	79,472
2027	285,590
2028	4,209
Thereafter	17,273

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

For the year ended December 31, 2023 the District recognized pension expense of \$102,258.

At December 31, 2023 the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>December 31, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 89,506	\$ -
Changes in assumptions	43,247	1,054
Net difference between projected and actual earnings on pension plan investments	174,062	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,432	11,672
Contributions subsequent to the measurement date	233,076	-
Total	<u>\$ 547,323</u>	<u>\$ 12,726</u>

\$233,076 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, 2022. 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:

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

Year Ended December 31,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2024	\$ (45,853)
2025	10,156
2026	69,914
2027	267,304
2028	-
Thereafter	-

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

For the year ended December 31, 2023 the District recognized pension expense of \$97,100.

At December 31, 2023 the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	December 31, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,141	\$ 2,014
Changes in assumptions	16,476	129
Net difference between projected and actual earnings on pension plan investments	20,460	-
Changes in proportion and differences between contributions and proportionate share of contributions	7,568	1,511
Contributions subsequent to the measurement date	209,914	-
Total	\$ 271,559	\$ 3,654

\$209,914 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, 2022. 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:

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

Year Ended December 31,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2024	\$ 2,720
2025	5,945
2026	9,558
2027	18,286
2028	4,209
Thereafter	17,273

Actuarial Assumptions

The total pension asset in the December 31, 2022 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 – 9.25 percent, average, including inflation
Investment rate of return	6.85 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.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

The actuarial assumptions used in the January 1, 2022 valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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	35.00 %	6.58 %	2.30 %
Debt securities	20.00 %	1.08 %	0.22 %
Real assets	18.00 %	5.72 %	1.03 %
Private equity	12.00 %	9.80 %	1.18 %
Absolute return	15.00 %	2.91 %	0.44 %
Cash and cash equivalents	0.00 %	(0.11) %	0.00 %
Totals	100.00 %		5.17 %
	Inflation		2.50 %
	Expected arithmetic nominal return		7.67 %

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

Discount Rate

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution 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

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11 – Employee Retirement Systems and Pension Plans - Continued

be available to make all projected future benefit payments of current, active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85%, 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 (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

<u>System</u>	<u>1% Decrease (5.85%)</u>	<u>Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Noncontributory System	\$ 1,663,096	\$ 263,886	\$ (905,228)
Tier 2 Public Employees System	221,745	50,748	(80,982)
Total	<u>\$ 1,884,841</u>	<u>\$ 314,634</u>	<u>\$ (986,210)</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 Special Service District
A Component Unit of Summit County, Utah
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 11– Employee Retirement Systems and Pension Plans - Continued

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

*401(k) Plan

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

401(k) Plan	2023	2022	2021
Employer Contributions	\$ 29,956	\$ 33,250	\$ 43,566
Employee Contributions	-	-	-

Note 12 - Related Party Transactions

Summit County, a related party, purchases water from the District at board approved water rates. The District sold water totaling \$58,989 and \$50,044 to the County during the years ended December 31, 2023 and 2022, respectively. The amount owed to the District from Summit County at December 31, 2023 and 2022 totaled \$4,369 and \$3,545, 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 \$40,448 and \$45,420 to SBSRD during the years ended December 31, 2023 and 2022, respectively. The amount owed the District from SBSRD at December 31, 2023 and 2022 totaled \$1,897 and \$2,120, respectively.

Note 13 - 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 2023 and 2022, 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, 2023 and 2022

Note 13 - 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:

	2023	2022
Claims liability, January 1	\$ 66,277	\$ 17,914
Claims incurred during the year and changes in estimates	34,495	59,517
Payments on claims during the year		
Payments made by insurance	66,947	10,154
Payments made by the District	500	1,000
Claims liability, December 31	\$ 33,325	\$ 66,277

Note 14 - Commitments

As of December 31, 2023, the District had entered into a contract for the construction of its new office and maintenance facility for approximately \$15.2 million. Construction had not commenced and the full amount of the contract was outstanding.

Note 15 - Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. These reclassifications are between the items of operating expenses and had no effect on the reported operating income or increase in net position.

**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, 2023
With a Measurement Date of December 31, 2022
Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31.

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.1540714%	0.1429613%	0.1505482%	0.1554776%	0.1689206%	0.1738540%	0.1737704%	0.1712125%	0.1633703%
Proportionate share of the net pension liability (asset)	\$ 263,886	\$ (818,755)	\$ 77,223	\$ 585,975	\$ 1,243,885	\$ 761,707	\$ 1,115,819	\$ 968,804	\$ 709,392
Covered employee payroll	\$ 1,212,697	\$ 1,092,397	\$ 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	21.8%	-75.0%	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)	97.5%	108.7%	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.

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0466060%	0.0338196%	0.0301956%	0.0274599%	0.0285559%	0.0246634%	0.0302245%	0.0397209%	0.0445357%
Proportionate share of the net pension liability (asset)	\$ 50,748	\$ (14,314)	\$ 4,343	\$ 6,176	\$ 12,230	\$ 2,175	\$ 3,372	\$ (87)	\$ (1,350)
Covered employee payroll	\$ 1,013,939	\$ 627,429	\$ 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	5.0%	-2.3%	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)	92.3%	103.8%	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**
Last 10 Fiscal Years

	As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered 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%
	2022	\$ 220,821	\$ 220,821	\$ -	\$ 1,212,697	18.21%
	2023	\$ 233,076	\$ 233,076	\$ -	\$ 1,297,032	17.97%
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%
	2022	\$ 162,583	\$ 162,583	\$ -	\$ 1,013,939	16.03%
	2023	\$ 192,712	\$ 192,712	\$ -	\$ 1,206,504	15.97%
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%
	2022	\$ 19,087	\$ 19,087	\$ -	\$ 295,795	6.45%
	2023	\$ 17,203	\$ 17,203	\$ -	\$ 277,910	6.19%

* 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.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2023

Note 1 – Changes in Assumptions

No changes were made in actuarial assumptions from the prior year's valuation.

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, 2023

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 decreased slightly from 2.05 in 2022 to 2.00 in 2023. Debt service coverage with stability rate funds remained the same at 2.48.

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

	2023	2022	2021
Water sales	\$ 12,226,502	\$ 11,596,203	\$ 11,770,052
Operating fees	622,151	554,357	624,446
Impact fees	851,870	1,499,752	3,397,951
Special assessments	542,839	817,771	1,054,362
Interest available for debt service	1,223,091	396,178	71,899
Other non-restricted cash revenue	<u>152,489</u>	<u>248,613</u>	<u>382,091</u>
Total cash revenue available for debt service from current year operations	15,618,942	15,112,874	17,300,801
Current year cash operating expenses	<u>(8,516,622)</u>	<u>(7,853,046)</u>	<u>(7,179,943)</u>
Net Revenue available for debt service payments from current year operations	<u>\$ 7,102,320</u>	<u>\$ 7,259,828</u>	<u>\$ 10,120,858</u>
Current year parity debt service payments	<u>\$ 3,545,895</u>	<u>\$ 3,534,014</u>	<u>\$ 3,546,513</u>
Debt service coverage from current year operations	<u>2.00</u>	<u>2.05</u>	<u>2.85</u>
Net Revenue available for debt service payments from current year operations	\$ 7,102,320	\$ 7,259,828	\$ 10,120,858
Rate stabilization reserves	<u>1,702,952</u>	<u>1,487,105</u>	<u>1,439,940</u>
Total cash available for debt service payments	<u>\$ 8,805,272</u>	<u>\$ 8,746,933</u>	<u>\$ 11,560,798</u>
Debt service coverage with rate stabilization reserves	<u>2.48</u>	<u>2.48</u>	<u>3.26</u>

The decrease in the ratio during 2022 was anticipated as impact fees were not expected to continue at the historically high level of 2021. The extremely high ratio in 2021 was an anomaly, with the ratio returning to more historical levels in 2022.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
CASH FLOW ANALYSIS
For the Year Ended December 31, 2023

As shown below, total cash and cash equivalents increased \$15.28 million (66.4%) in 2023 and \$1.12 million (5.1%) in 2022.

Operating cash and cash equivalents of \$8.51 million equates to 353 days' reserves and is down from \$8.67 million or 368 days' reserves at December 31, 2022. District policy requires a minimum of 120 days' reserves year-round.

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

	2023	2022	2021	2023 to 2022		2022 to 2021	
				Change	%	Change	%
	\$	\$	\$	\$	%	\$	%
Unrestricted							
Operating	\$ 8,514,669	\$ 8,672,250	\$ 7,763,385	\$ (157,581)	(1.8) %	\$ 908,865	11.7 %
Rate stabilization reserves for:							
Debt service	1,246,422	1,184,466	1,164,468	61,956	5.2	19,998	1.7
Treatment plant	456,530	302,639	275,471	153,891	50.8	27,168	9.9
Drought reserve	847,460	813,300	-	34,160	100.0	813,300	100.0
Regionalization reserves	634,648	2,093,120	2,857,350	(1,458,472)	(69.7)	(764,230)	(26.7)
Total unrestricted cash and cash equivalents	<u>11,699,729</u>	<u>13,065,775</u>	<u>12,060,674</u>	<u>(1,366,046)</u>	(10.5)	<u>1,005,101</u>	8.3
Restricted for debt payments							
Held by trustee	753,035	646,046	569,422	106,989	16.6	76,624	13.5
Held by district	601,352	748,616	688,655	(147,264)	(19.7)	59,961	8.7
Total cash and cash equivalents restricted for debt payments	<u>1,354,387</u>	<u>1,394,662</u>	<u>1,258,077</u>	<u>(40,275)</u>	(2.9)	<u>136,585</u>	10.9
Other restricted							
Impact fee reserves	4,645,830	5,430,969	5,272,361	(785,139)	(14.5)	158,608	3.0
Capital facilities construction, repair & replacement reserves	1,492,370	2,017,542	1,935,670	(525,172)	(26.0)	81,872	4.2
Customer deposits	1,114,649	1,104,278	1,069,403	10,371	0.9	34,875	3.3
Bond construction	17,985,369	-	293,779	17,985,369	-	(293,779)	-
Total other restricted	<u>25,238,218</u>	<u>8,552,789</u>	<u>8,571,213</u>	<u>16,685,429</u>	195.1	<u>(18,424)</u>	(0.2)
Total cash and cash equivalents	<u>\$ 38,292,334</u>	<u>\$ 23,013,226</u>	<u>\$ 21,889,964</u>	<u>\$ 15,279,108</u>	66.4 %	<u>\$ 1,123,262</u>	5.1 %

During 2023, the significant increase in other restricted cash and cash equivalents of \$16.69 million (195.1%) was the result of the issuance of \$18.00 million in new bonds, the proceeds of which will be used for the construction of the District's new office and maintenance facility to be completed in the fall of 2025. This increase was offset by decreases in impact fee reserves as growth continued to slow and also when impact fee reserves and capital facility reserves were used for the construction of capital projects.

Unrestricted cash reserves decreased by \$1.37 million (10.5%) due to the anticipated use of unrestricted cash reserves to fund acquisition of capital assets. Unrestricted cash reserves increased by \$1.01 million (8.3%) in 2022 due to the use of impact fee reserves instead of operating reserves to fund debt service.

The Regionalization Reserve decreased in 2023 by \$1.46 million (69.7%) due to \$1,550,000 being transferred into operating reserves to help fund two capital projects; the new office and maintenance facility and the floating solar array. The Regionalization Reserve also decreased in 2022 by \$764,230 after \$800,000 was transferred from this reserve to the newly established

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
CASH FLOW ANALYSIS - Continued
For the Year Ended December 31, 2023

Drought Reserve. The District's Drought Response Plan called for the establishment of this fund to help cover revenue shortfalls in years when watering restrictions are put in place due to drought conditions.

The treatment plant reserve increased by \$153,891 in 2023 and \$27,168 in 2022 as the District builds the reserve for replacement of carbon and membranes.

Cash restricted for debt payments has been maintained at mandatory levels or higher since the District's inception and was \$1.35 million as of December 31, 2023 (\$1.39 million at December 31, 2022). The decrease of \$40,275 (2.9%) in 2023 was due to required debt service payments greater than special assessments collected. In 2022, the increase of \$136,585 (10.9%) represented the net of the increase associated with special assessments restricted for use in the payment of debt service, less required debt service payments made during the year.

During 2022, other restricted cash decreased by \$18,424 (0.2%) when unexpended bond proceeds from the 2019B Revenue Bonds were used to pay down outstanding principal on those bonds.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION
For the Year Ended December 31, 2023

The District realized a \$6.65 million change in net position for 2023. After adjusting the budget for non-cash year-end journal entries, the District's change in net position exceeded budget by \$1.34 million, as shown below.

Mountain Regional Water Special Service District's Budget Comparison

	2023 Amended Budget	Retirement Accrual	Change In Inventory	Contributions In-Aid	2023 Adjusted Budget	2023 Actual	Favorable (Unfavorable)	%
Operating revenues:								
Water sales	\$ 12,060,900	\$ -	\$ -	\$ -	\$ 12,060,900	\$ 12,226,502	\$ 165,602	
Operating fees	588,200	-	-	-	588,200	622,151	33,951	
Other	47,500	-	-	-	47,500	62,159	14,659	
Total operating revenue	<u>12,696,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,696,600</u>	<u>12,910,812</u>	<u>214,212</u>	1.69%
Operating expenses:								
Operations								
Energy & resource management	706,200	(24,970)	-	-	681,230	645,070		
Lost Canyon water transmission	1,836,900	(25,026)	-	-	1,811,874	1,630,020		
Treatment plant	833,000	(23,927)	-	-	809,073	781,298		
Distribution	3,337,000	(71,107)	(3,980)	-	3,261,913	3,215,622		
Safety	95,600	(1,642)	-	-	93,958	65,616		
Subtotal Line Item	<u>6,808,700</u>	<u>(146,672)</u>	<u>(3,980)</u>	<u>-</u>	<u>6,658,048</u>	<u>6,337,626</u>	<u>320,422</u>	4.81%
General Manager								
Administration, finance, engineering and	1,234,000	(60,471)	-	-	1,173,529	1,213,364		
Subtotal Line Item	<u>1,234,000</u>	<u>(60,471)</u>	<u>-</u>	<u>-</u>	<u>1,173,529</u>	<u>1,213,364</u>	<u>(39,835)</u>	
Public services								
Public services	771,400	(36,489)	-	-	734,911	722,000		
Subtotal Line Item	<u>771,400</u>	<u>(36,489)</u>	<u>-</u>	<u>-</u>	<u>734,911</u>	<u>722,000</u>	<u>12,911</u>	
Non-cash Expenses								
Depreciation	2,133,500	-	-	-	2,133,500	2,096,714		
Subtotal Line Item	<u>2,133,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,133,500</u>	<u>2,096,714</u>	<u>36,786</u>	
Total operating expenses	<u>10,947,600</u>	<u>(243,632)</u>	<u>(3,980)</u>	<u>-</u>	<u>10,699,988</u>	<u>10,369,704</u>	<u>330,284</u>	3.09%
Operating income	<u>1,749,000</u>	<u>243,632</u>	<u>3,980</u>	<u>-</u>	<u>1,996,612</u>	<u>2,541,108</u>	<u>544,496</u>	
Non-operating revenue								
Grants	11,700	-	-	-	11,700	11,667	(33)	
Interest income	546,700	-	-	-	546,700	1,258,030	711,330	
Impact fees	600,000	-	-	-	600,000	851,870	251,870	
Special assessments	698,900	-	-	-	698,900	542,839	(156,061)	
Other non-operating revenue	30,000	-	-	-	30,000	90,330	60,330	
Total non-operating revenue	<u>1,887,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,887,300</u>	<u>2,754,736</u>	<u>867,436</u>	46.0%
Non-operating expenses								
Interest expense	1,119,900	-	-	-	1,119,900	1,107,504	12,396	
Bond insurance cost amortization	2,000	-	-	-	2,000	2,000	-	
Bond issuance expense	-	-	-	-	-	90,000	(90,000)	
Trustee fees	14,000	-	-	-	14,000	11,750	2,250	
Total non-operating expenses	<u>1,135,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,135,900</u>	<u>1,211,254</u>	<u>(75,354)</u>	-6.6%
Total non-operating income	<u>751,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,400</u>	<u>1,543,482</u>	<u>792,082</u>	
Income (loss) before contributions and special items	<u>2,500,400</u>	<u>243,632</u>	<u>3,980</u>	<u>-</u>	<u>2,748,012</u>	<u>4,084,590</u>	<u>1,336,578</u>	
Contributions-in-aid of construction								
Special item - contributions to water supplier's infrastructure	-	-	-	2,560,819	2,560,819	2,560,819	-	
Change in net position	<u>\$ 2,500,400</u>	<u>\$ 243,632</u>	<u>\$ 3,980</u>	<u>\$ 2,560,819</u>	<u>\$ 5,308,831</u>	<u>\$ 6,645,409</u>	<u>\$ 1,336,578</u>	25.2%

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION - Continued
For the Year Ended December 31, 2023

The non-cash year-end budget adjustments include the non-budgeted pension accrual required by GASB Statement No. 68. During 2023, expenses related to the pensions were lower than budgeted by \$243,632 based on the difference between the \$199,358 in actuarial pension benefit reported on these financial statements, and the \$422,990 in actual contributions. Projected cash contributions to pension plans are used to develop budgets.

In addition, the budget was adjusted by \$3,980 to reflect a decrease in expenses that resulted when inventory was adjusted by that amount as of December 31, 2023.

The \$2.56 million in contributions in-aid-of construction was added to the 2023 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 \$1.34 million positive budget variance for 2023 was driven in part because interest income was higher than budgeted by \$711,330 a result of the higher rates available in the market during the year. Additionally, operating revenues exceeded budget by \$214,212 and operating expenses were lower than budgeted by \$330,284.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
IMPACT FEES (CASH BASIS)
For the Year Ended December 31, 2023

As shown below, the District has collected \$20.30 million in impact fees and another \$904,474 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 2018	2019	2020	2021	2022	2023	Total
Cash Collections							
Impact Fees	\$ 12,715,988	\$ 1,103,935	\$ 735,399	\$ 3,397,951	\$ 1,499,752	\$ 851,870	\$ 20,304,895
Interest Earnings	479,592	54,441	25,349	12,300	83,856	248,936	904,474
Total cash collections	<u>13,195,580</u>	<u>1,158,376</u>	<u>760,748</u>	<u>3,410,251</u>	<u>1,583,608</u>	<u>1,100,806</u>	<u>21,209,369</u>
Cumulative cash collections	13,195,580	14,353,956	15,114,704	18,524,955	20,108,563	21,209,369	
Cash Expenditures							
Debt Service ⁽¹⁾	8,574,929	700,000	500,000	600,000	1,425,000	600,000	12,399,929
District Infrastructure	2,449,214	-	196,219	232,232	-	991,445	3,869,110
Total cash expenditures	<u>11,024,143</u>	<u>700,000</u>	<u>696,219</u>	<u>832,232</u>	<u>1,425,000</u>	<u>1,591,445</u>	<u>16,269,039</u>
Cumulative cash expenditures	11,024,143	11,724,143	12,420,362	13,252,594	14,677,594	16,269,039	
Net Cash Flow to Date	\$ 2,171,437	\$ 458,376	\$ 64,529	\$ 2,578,019	\$ 158,608	\$ (490,639)	\$ 4,940,330
Cumulative Cash Flow	2,171,437	2,629,813	2,694,342	5,272,361	5,430,969	4,940,330	
	2024	2025	2026	2027	2028	2029	Total
Projected Future Uses							
Debt Service ⁽¹⁾	\$ 800,000	\$ 800,000	\$ 800,000	\$ -	\$ -	\$ -	\$ 2,400,000
Capital Projects	942,500	1,000,000	597,830	-	-	-	2,540,330
Total Future Cash Expenditures	<u>\$ 1,742,500</u>	<u>\$ 1,800,000</u>	<u>\$1,397,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,940,330</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	<u>\$ 1,726,195</u>	

Of this, \$12.40 million has been applied to debt service payments on bonding that funds projects in the capital facilities plan, while another \$3.87 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, 2023

It is anticipated that \$2.40 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 \$2.54 million will be used to pay directly for projects in the capital facilities plan in 2024 through 2026.

In 2023, the Districted collected \$851,870 in impact fee revenues (\$1.50 million in 2022). Growth was extremely high in 2021, remained above average in 2022 and dropped significantly in 2023. For 2024, the District is expecting growth levels to remain similar to 2023 and has budgeted \$800,000 in impact fee revenues.

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 \$20.30 million in impact fees has been collected. This means impact fee collections have been 78.0% 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.