

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT

(A Component Unit of Summit County, Utah)

FINANCIAL STATEMENTS

Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mountain Regional Water Special Service District

Report on the Basic Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Regional Water Special Service District as of December 31, 2024, and the changes in its financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the 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 Mountain Regional Water Special Service District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1 and 11 to the basic financial statements, in 2024, the District adopted Government Accounting Standards Board Statement No. 101, *Compensated Absences* and as discussed in Note 11 to the basic financial statements, the financial statements have been restated. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset), schedules of District contributions, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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 section 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 form of assurance thereon.

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 a report, dated May 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squize & Company, PC

Orem, Utah
May 13, 2025

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

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, 2024; 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 \$7.04 million increase in net position for 2024. This exceeded the budgeted increase by \$3.53 million.
- District operating revenue increased by \$2.07 million (16.1%). The District implemented an 8% rate increase in 2024. This, in combination with water usage by the District's direct customers being 24.4% higher than in 2023, resulted in the increase.
- 2024 operating expenses were \$0.97 million (8.0%) under budget due primarily to cost savings in water transmission and distribution expenses.
- District cash and cash equivalents decreased \$3.49 million during 2024, primarily due to capital asset expenditures.
- Year-end 2024 operating cash and cash reserves amounted to 291 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 information, 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 being 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.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's net position changed during the year 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.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

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, noncapital financing, investing, and capital and related 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 an integral part of the basic financial statements.

District Financial Analysis

Changes in Net Position

Mountain Regional Water Special Service District's Change in Net Position
Year Ended December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Operating revenue	\$ 14,985,745	\$ 12,910,812	\$ 2,074,933	16.1 %
Operating expense	(11,186,438)	(10,369,704)	(816,734)	7.9
Operating income	3,799,307	2,541,108	1,258,199	49.5
Non-operating revenue	4,154,302	2,554,636	1,599,666	62.6
Non-operating expense	(1,838,707)	(1,211,254)	(627,453)	51.8
Net non-operating revenue (expense)	2,315,595	1,343,382	972,213	72.4
Income before contributions	6,114,902	3,884,490	2,230,412	57.4
Capital contributions	921,003	2,560,819	(1,639,816)	(64.0)
Change in net position	7,035,905	6,445,309	590,596	9.2
Net position - beginning, as restated	95,175,536	88,730,227	6,445,309	7.3
Net position - ending	<u>\$ 102,211,441</u>	<u>\$ 95,175,536</u>	<u>\$ 7,035,905</u>	7.4 %

Net position increased by \$7.04 million in 2024 to \$102.21 million (a 7.4% increase in ending net position) as shown in the table above. Operating income increased by \$1.26 million due to increased usage by customers and a rate increase in 2024. Additionally, non-operating revenue increased by \$1.60 million due to higher interest income and impact fees. Capital contributions of \$0.92 million also contributed to the increase.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

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

Net Position

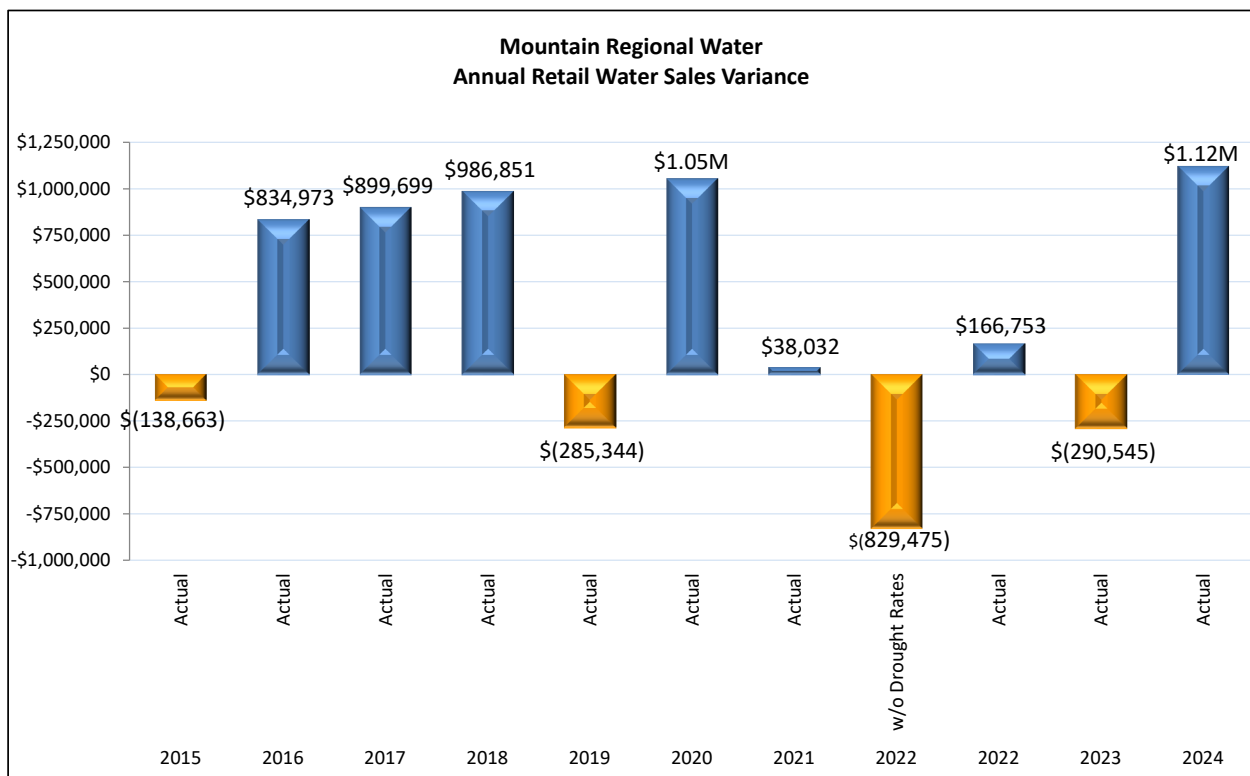
Mountain Regional Water Special Service District's Net Position
December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Current assets	\$ 14,146,224	\$ 15,230,258	\$ (1,084,034)	(7.1) %
Capital assets	114,956,093	104,746,217	10,209,876	(2.5)
Other assets	<u>25,486,745</u>	<u>28,147,532</u>	<u>(2,660,787)</u>	23.0
Total Assets	154,589,062	148,124,007	6,465,055	4.4
Deferred outflows of resources	<u>1,819,176</u>	<u>1,626,126</u>	<u>193,050</u>	11.9
Unrestricted current liabilities	967,409	507,474	459,935	90.6
Long-term liabilities	45,644,574	48,470,154	(2,825,580)	(5.8)
Net pension liability	470,530	314,634	155,896	49.5
Other liabilities	<u>6,658,097</u>	<u>4,663,288</u>	<u>1,994,809</u>	42.8
Total Liabilities	<u>53,740,610</u>	<u>53,955,550</u>	<u>(214,940)</u>	(0.4)
Deferred inflows of resources	<u>456,187</u>	<u>619,047</u>	<u>(162,860)</u>	(26.3)
Net Position				
Net investment in capital assets	79,529,944	72,971,271	6,558,673	9.0
Restricted for:				
Capital projects	6,861,149	5,425,796	1,435,353	26.5
Debt Service	2,952,224	3,000,729	(48,505)	(1.6)
Unrestricted	<u>12,868,124</u>	<u>13,777,740</u>	<u>(909,616)</u>	(6.6)
Net position - ending	<u>\$ 102,211,441</u>	<u>\$ 95,175,536</u>	<u>\$ 7,035,905</u>	7.4 %

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

Summary of Revenue

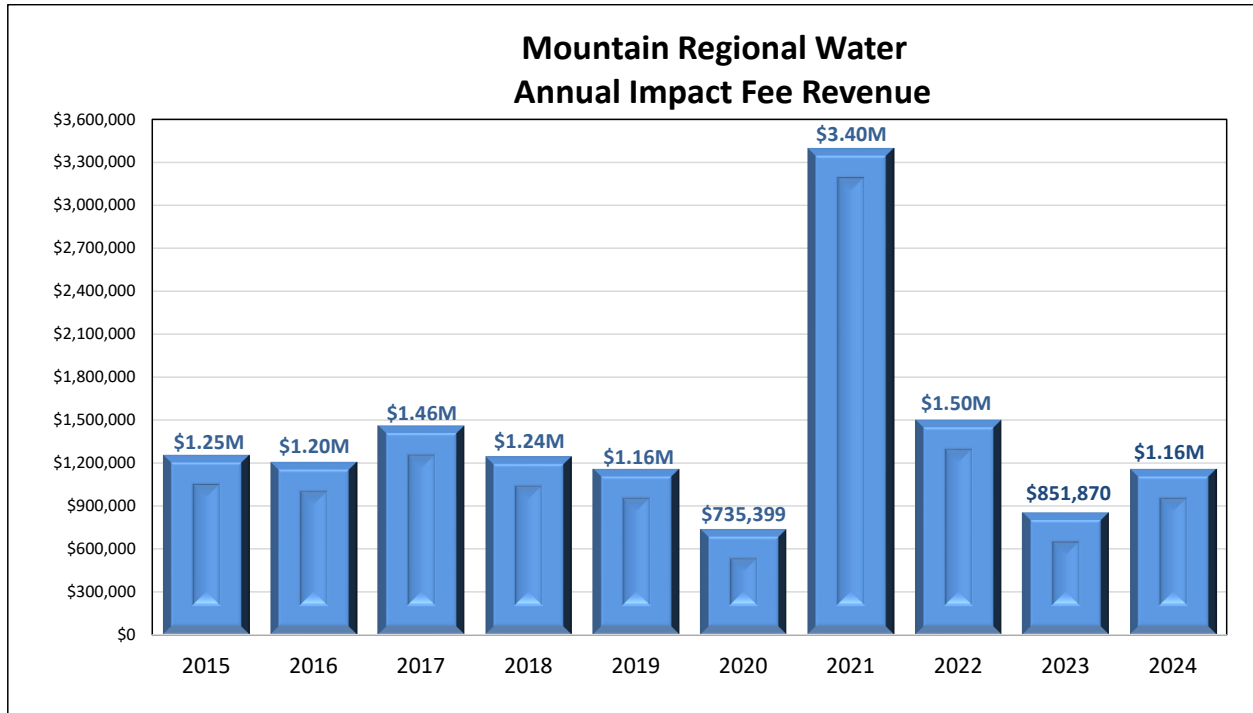
Later in this section, the District’s two-year revenue history is discussed. However, the trends demonstrated in the related ten-year table shown below in this section are not necessarily a good indication of revenue trends, as revenue collections can be very cyclical year-over-year. For example, the 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 and 2020, resulted in retail water sales that were significantly above budget projections. Meanwhile, the cooler, wetter weather during 2015, 2019, and 2023 resulted in retail water sales that were approximately \$0.14 million to \$0.29 million below budget. 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, which in 2022, resulted in a small positive variance. In 2024, the irrigation season began early followed by a hot and dry summer resulting in an increase in usage, which caused the positive variance of \$1.12 million in revenue.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

In addition to the variance in retail water sales due to weather, impact fee revenues can vary due to the building cycle as shown below. Since 2015, impact fee revenues have remained fairly consistent with a 10-year average of \$1.16 million, however there can be significant swings as seen in 2020 and 2021, from a low of \$0.74 million in 2020, to a high the following year of \$3.40 million.



During 2024, impact fee revenues were more in line with the 10-year average at \$1.16 million. Given the uncertainty of financial markets and the housing market in Park City, for 2025 the District has budgeted \$0.60 million in impact fee revenues.

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 \$1.00 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.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

As shown below, total revenue increased by \$3.67 million (23.8%) in 2024 to \$19.14 million.

Mountain Regional Water Special Service District's Revenue Summary
Year Ended December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Operating				
Retail water sales	\$ 12,702,577	\$ 10,260,138	\$ 2,442,439	23.8 %
Wholesale water sales & wheeling fees	1,694,978	1,966,364	(271,386)	(13.8)
Operating fees	516,220	622,151	(105,931)	(17.0)
Other	<u>71,970</u>	<u>62,159</u>	<u>9,811</u>	15.8
Total operating	<u>14,985,745</u>	<u>12,910,812</u>	<u>2,074,933</u>	16.1
Non-Operating				
Impact fees	1,156,954	851,870	\$ 305,084	35.8
Interest income	2,123,495	1,291,807	831,688	64.4
Special district assessments	309,889	308,962	927	0.3
Intergovernmental grant revenue	11,667	11,667	-	0.0
Other nonoperating revenue	524,265	57,143	467,122	817.5
Gain on disposal of capital assets	<u>28,032</u>	<u>33,187</u>	<u>(5,155)</u>	(15.5)
Total nonoperating	<u>4,154,302</u>	<u>2,554,636</u>	<u>1,599,666</u>	62.6
Total Revenue	<u>\$ 19,140,047</u>	<u>\$ 15,465,448</u>	<u>\$ 3,674,599</u>	23.8 %

Retail water sales increased in 2024 by \$2.44 million (23.8%). The large revenue increase was due to usage by retail customers increasing by 24.4% due to a hot dry summer in 2024. Additionally, the District implemented an 8% rate increase in 2024 to cover increasing costs.

During 2024 the wholesale water revenues decreased by \$0.27 million (13.8%) due to two factors. First, the contracted amount of water sold under the Weber Basin Regionalization agreement decreased 100 acre-feet during 2024. This resulted in a decrease of \$0.17 million. The water amount decreases another 100 acre-feet in 2025. Second, the amount of water wheeled to Park City Municipal through our partnership decreased by 1,065 acre-feet resulting in a decrease of \$0.10 million.

Impact fee revenue increased in 2024 by \$0.31 million (35.8%) to \$1.16 million. As can be seen in the impact fee graph above, impact fees have experienced volatility since 2020, however the 2024 revenues are more in line with the 10-year average.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

Interest income increased by \$0.83 million (64.4%) in 2024. The District had budgeted for an increase in interest income for 2024, however the increase was even higher than anticipated due to interest rates and cash balances remaining higher than projected.

Other revenue also increased significantly in 2024. The increase of \$0.47 million was mainly due to a \$0.40 million grant received from the Rocky Mountain Power/Bluesky Renewable Energy program for the floating solar array on the pond at the District's treatment plant.

Summary of Expenses

As shown below, District expenses increased \$1.44 million (12.5%) in 2024.

Mountain Regional Water Special Service District's Expense Summary
Year Ended December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Operating				
Operations, maintenance and repairs	\$ 3,429,127	\$ 3,281,238	\$ 147,889	4.5 %
Water production	2,535,216	2,411,318	123,898	5.1
Energy and technology management	718,334	645,070	73,264	11.4
Administration, finance, engineering and legal	2,205,397	1,935,364	270,033	14.0
Depreciation	2,298,364	2,096,714	201,650	9.6
Total operating	<u>11,186,438</u>	<u>10,369,704</u>	<u>816,734</u>	7.9
Non-Operating				
Interest expense	1,822,957	1,107,504	715,453	64.6
Bond issuance expenses	-	90,000	(90,000)	
Other nonoperating expenses	15,750	13,750	2,000	14.5
Total nonoperating	<u>1,838,707</u>	<u>1,211,254</u>	<u>627,453</u>	51.8
Total Expenses	<u>\$ 13,025,145</u>	<u>\$ 11,580,958</u>	<u>\$ 1,444,187</u>	12.5 %

Total operating expense increased by \$0.82 million (7.9%) in 2024. Although supplies, utilities and personnel costs continued to increase in 2024, it was not as high a rate as experienced in 2023 as inflation and COLA increases were less.

Interest expense increased \$0.72 million (64.6%) in 2024 due to the additional interest expense from the issuance of the Series 2023 bond in the amount of \$18.00 million. This bond is being used to finance the construction of a new district office and maintenance facility.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

Capital Assets as of December 31

At the end of 2024, the District had capital assets (net of depreciation) totaling \$114.96 million.

Mountain Regional Water Special Service District's Capital Assets (net of depreciation)
December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Land and water rights	\$ 22,541,554	\$ 22,541,554	\$ (0)	(0.0) %
Construction in progress	9,795,222	1,350,909	8,444,313	625.1
Water system infrastructure	73,417,248	73,267,941	149,307	0.2
Buildings, equipment and furnishings	9,202,069	7,622,664	1,579,405	20.7
Total capital assets (net)	<u>\$ 114,956,093</u>	<u>\$ 104,783,068</u>	<u>\$ 10,173,026</u>	9.7 %

Capital assets (net of depreciation) increased \$10.17 million (9.7%) to \$114.96 million in 2024, primarily due to the increase of \$8.44 million in Construction in progress as work on the new office and maintenance facility continued. Additionally, buildings, equipment and furnishings increased by \$1.58 million as the District put in place a floating solar array on the pond located next to the Signal Hill Treatment Plant.

Long-term Obligations Outstanding as of December 31

As shown below, total long-term obligations decreased by \$2.86 million (5.5%) during 2024.

Notes and bonds payable, net of unamortized premiums, decreased by \$3.08 million during 2024 due to principal payments. This decrease was offset by increases in the other long-term liabilities categories. Net Pension Liability increased \$0.16 million and compensated absences increased \$0.10 million.

All current District obligations are scheduled to be paid off by 2044.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2024

Mountain Regional Water Special Service District's Long-term Obligations
December 31,

	2024	2023	2024 to 2023 Change	
			\$	%
Payable to Developer	\$ 504,140	\$ 557,484	\$ (53,344)	(9.6) %
Net Pension Liability	470,530	314,634	155,896	49.5
Compensated absences	613,598	547,096	66,502	12.2
Notes and bonds payable	<u>47,488,583</u>	<u>50,567,559</u>	<u>(3,078,976)</u>	(6.1)
Total long-term obligations	<u>\$ 49,076,851</u>	<u>\$ 51,986,773</u>	<u>\$ (2,856,578)</u>	(5.5) %

In 2024 Fitch affirmed an AA rating for the District. However, the rating outlook of stable was revised from positive due to the growing capital improvement needs of the District including the expansion of its existing treatment plant.

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

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
A Component Unit of Summit County, Utah
STATEMENT OF NET POSITION
December 31, 2024

ASSETS

Current Assets:

Cash and investments	\$ 10,622,608
Receivables:	
Accounts	1,208,335
Other	6,565
Current portion of special assessments receivable	325,000
Inventory	165,658
Prepaid items	<u>1,818,058</u>
Total current assets	14,146,224

Capital Assets:

Land, water rights, and construction in progress	32,336,776
Depreciable, net of depreciation and amortization	<u>82,619,317</u>
Net capital assets	114,956,093

Other Assets:

Restricted investments	24,176,771
Special assessments receivable	<u>1,309,974</u>
Total other assets	<u>25,486,745</u>
Total assets	154,589,062

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on bond refunding	727,186
Pensions	<u>1,091,990</u>
Total deferred outflows of resources	1,819,176

The accompanying notes are an integral part of this financial statement.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
A Component Unit of Summit County, Utah
STATEMENT OF NET POSITION (Continued)
December 31, 2024

LIABILITIES

Current Liabilities:

Accounts payable	\$ 967,409
Construction retention payable	2,001,360
Accrued salaries and related benefits	87,057
Accrued interest	122,465
Customer deposits	1,397,756
Current portion of bonds and notes payable	3,100,084
Current portion of payable to developers	167,712
Current portion of compensated absences	252,193
	<hr/>
Total current liabilities	8,096,036

Long-Term Liabilities:

Bonds and notes payable, net of unamortized premium, less current portion	44,388,499
Payable to developers	424,140
Compensated absences, less current portion	361,405
Net pension liability	470,530
	<hr/>
Total long-term liabilities	45,644,574
	<hr/>
Total liabilities	53,740,610

DEFERRED INFLOWS OF RESOURCES:

Pensions	6,186
Grant revenue received in advance	105,001
Meter revenue received in advance	345,000
	<hr/>
Total deferred inflows of resources	456,187

NET POSITION

Net investment in capital assets	79,529,944
Restricted for capital projects	6,861,149
Restricted for debt service	2,952,224
Unrestricted	12,868,124
	<hr/>
Total net position	<u>\$ 102,211,441</u>

The accompanying notes are an integral part of this financial statement.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
A Component Unit of Summit County, Utah
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2024

Operating Revenues:	
Retail water sales	\$ 12,702,577
Wholesale water sales and wheeling fees	1,694,978
Operating fees	516,220
Other operating revenues	71,970
	14,985,745
Operating Expenses:	
Operations, maintenance and repairs	3,429,127
Water production	2,535,216
Energy and technology management	718,334
Administration, finance, engineering, and legal	2,205,397
Depreciation	2,298,364
	11,186,438
Operating Income	3,799,307
Nonoperating Revenues (Expenses):	
Impact fees	1,156,954
Interest income	2,123,495
Debt service assessments	309,889
Intergovernmental grant revenue	11,667
Other nonoperating revenue	524,265
Gain on the sale of capital assets	28,032
Interest expense	(1,822,957)
Other nonoperating expenses	(15,750)
	2,315,595
Income Before Capital Contributions	6,114,902
Capital Contributions	921,003
Change in Net Position	7,035,905
Net Position at Beginning of Year , as previously reported	93,365,701
Aggregate amount of restatements	1,809,835
Net Position at Beginning of Year , as restated	95,175,536
Net Position at End of Year	\$ 102,211,441

The accompanying notes are an integral part of this financial statement.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
A Component Unit of Summit County, Utah
STATEMENT OF CASH FLOWS
Year Ended December 31, 2024

Cash Flows from Operating Activities:	
Cash received from customers	\$ 15,035,231
Cash paid to suppliers	(3,973,499)
Cash paid to employees and for benefits	<u>(4,365,940)</u>
Net cash provided by operating activities	6,695,792
Cash Flows from Noncapital Financing Activities:	
Grants received	400,000
Cash Flows from Capital and Related Financing Activities:	
Interest paid	(1,911,121)
Impact fees collected	1,156,954
Special assessments collected	203,102
Debt service assessments collected	309,889
Other revenue collected	108,515
Purchases of capital assets	(9,549,279)
Proceeds from sale of capital assets	28,032
Principal payments on lease liability	(35,590)
Principal payments on notes payable	(278,744)
Principal payments on bonds payable	<u>(2,744,000)</u>
Net cash used by capital and related financing activities	(12,712,242)
Cash Flows from Investing Activities:	
Interest received	<u>2,123,495</u>
Net cash provided by investing activities	<u>2,123,495</u>
Net Change in Cash and cash equivalents	(3,492,955)
Cash and cash equivalents at Beginning of Year	<u>38,292,334</u>
Cash and cash equivalents at End of Year (see Note 2)	<u><u>\$ 34,799,379</u></u>
A reconciliation of operating income to cash flows used by operating activities follows:	
Operating income	\$ 3,799,307
Depreciation	2,298,364
Changes in operating assets and liabilities:	
Receivables	190,486
Inventory	(26,591)
Prepaid items	(180,223)
Accounts payable	590,278
Construction retention payable	253
Accrued salaries and related benefits	(64,475)
Net collection of customer deposits	285,968
Payable to developer	(23,912)
Compensated absences	94,743
Net pension asset, liability and related deferrals	(127,406)
Deferred inflows of resources - meter revenues	<u>(141,000)</u>
Net cash provided by operating activities	<u><u>\$ 6,695,792</u></u>
Noncash financing, capital, or investing activities:	
Developer contributed capital assets	921,003
Capital assets acquired through retainage payable	2,001,107

The accompanying notes are an integral part of this financial statement.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

The 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.

Measurement Focus 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.

Budgetary Basis

Budgetary procedures for the District have been established by *Utah 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.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

Inventory and Prepaid Items

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

The District made payments for goods and services that will be consumed or utilized in a future period.

Leases

The District is a lessee for a noncancellable lease of equipment and office space. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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.

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:

Buildings	60 years
Improvements other than buildings	15 to 60 years
Office furniture and equipment	5 to 20 years

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 2024.

Intangible assets

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

Compensated Absences

During the year ended December 31, 2024, the District adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The new standard requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or paid out upon termination or retirement. The District restated the beginning net position due to implementing this standard, see note 11.

The District permits eligible employees to accumulate earned, but unused, vacation and sick leave benefits while they are working for the District. Accrued vacation and sick leave are recorded in long-term liabilities.

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. When an employee terminates or retires, the District pays 100 percent of their vacation leave.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Employees also earn sick leave which may accumulate 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.

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.

Long-Term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of unamortized bond premiums or discounts.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Net Position

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds and other capital related liabilities), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

Assessments

The District assesses a special assessment and a debt service assessment. The special assessment is recognized as revenue when assessed (see Note 3). The debt service assessment is recognized as revenue each month when billed (see Note 5).

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments, as shown on the financial statements, is as follows at December 31, 2024:

Carrying amount of deposits	\$ 583,511
Carrying amount of investments	<u>34,215,868</u>
Total deposits and investments	<u>\$ 34,799,379</u>
Current assets - cash and cash equivalents	\$ 583,511
Current assets - investments	10,039,097
Other assets - restricted cash and cash equivalents	<u>24,176,771</u>
Total deposits and investments	<u>\$ 34,799,379</u>

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

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

Deposits

The District's carrying amount of bank deposits at December 31, 2024 is \$583,511 and the bank balance is \$1,744,077 (\$250,000 of which is covered by federal depository insurance). Uninsured deposits are not collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk other than to comply with the Act.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT NOTES TO FINANCIAL STATEMENTS

Investments

The District had a balance of \$34,215,868 held in the PTIF at December 31, 2024. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state's name by the state's custodial banks, primarily consisting of corporate bonds and notes. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to prevailing market interest rates. The PTIF has no debt securities with more than 5% of its total investments in a single issuer. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares and is not required to be reported in the fair value hierarchy.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and rules of the Council.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing interest rate risk is to comply with the Act.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and rules of the Council. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy is to follow the Act and the rules of the Council.

NOTE 3 – SPECIAL ASSESSMENT RECEIVABLE

During 2014, the District issued bonds and assessed property owners within the District to finance the cost to update the water system and related improvements. As of December 31, 2024, the District has recorded a special assessment receivable of \$1,634,974. See Note 5 for additional information about the Series 2014 bonds.

These assessments were authorized under *Utah Code* Title 17B and were levied based on the proportional benefit received by each property. The assessments are payable over a period of fifteen years. Additionally, Promontory (the developer) is charged for the debt service shortfall in any given year.

The receivable is secured by liens against the assessed properties and is considered fully collectible. As of December 31, 2024, no allowance for doubtful accounts has been recorded, as management believes all amounts are fully collectible based on historical collection rates and lien enforceability.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

The following changes occurred with respect to capital assets during the year ended December 31, 2024:

	Balance at Jan. 1, 2024	Additions	Deletions	Balance at Dec. 31, 2024
Capital assets not being depreciated:				
Land and water rights	\$ 22,541,554	\$ -	\$ -	\$ 22,541,554
Construction in progress	1,350,909	11,137,809	(2,693,496)	9,795,222
Total capital assets not being depreciated	23,892,463	11,137,809	(2,693,496)	32,336,776
Capital assets being depreciated:				
Buildings	8,452,890	-	-	8,452,890
Improvements other than buildings	99,341,158	1,940,441	-	101,281,599
Furniture and fixtures	218,260	-	-	218,260
Machinery and equipment	2,480,283	1,948,672	-	4,428,955
Vehicles	1,642,724	137,963	(51,363)	1,729,324
Leased machinery and equipment	34,544	-	(34,544)	-
Leased office space	82,086	-	(82,086)	-
Total capital assets being depreciated	112,251,945	4,027,076	(167,993)	116,111,028
Accumulated depreciation for:				
Buildings	(2,893,843)	(146,373)	-	(3,040,216)
Improvements other than buildings	(26,073,217)	(1,791,134)	-	(27,864,351)
Furniture and fixtures	(67,737)	(12,544)	-	(80,281)
Machinery and equipment	(1,236,116)	(161,479)	-	(1,397,595)
Vehicles	(1,010,648)	(149,983)	51,363	(1,109,268)
Leased machinery and equipment	(31,989)	(2,555)	34,544	-
Leased office space	(47,790)	(34,296)	82,086	-
Total accumulated depreciation	(31,361,340)	(2,298,364)	167,993	(33,491,711)
Net capital assets being depreciated	80,890,605	1,728,712	-	82,619,317
Net capital assets	\$ 104,783,068	\$ 12,866,521	\$ (2,693,496)	\$ 114,956,093

Depreciation expense for the year ended December 31, 2024 was \$2,298,364.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

The District's construction commitments as of December 31, 2024 are as follows:

Project	Project Authorized	Costs to Date	Costs to Complete
Office and maintenance shop	\$ 20,797,600	\$ 8,529,449	\$ 12,268,151
Treatment plant expansion	1,441,000	862,900	578,100
Others	1,760,500	402,873	1,357,627
Totals	<u>\$ 23,999,100</u>	<u>\$ 9,795,222</u>	<u>\$ 14,203,878</u>

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities were as follows for the year ended December 31, 2024:

	Balance at Jan. 1, 2024	Additions	Deletions	Balance at Dec. 31, 2024	Due Within One Year
Water revenue bonds	\$ 25,935,000	\$ -	\$ (2,360,000)	\$ 23,575,000	\$ 2,420,000
Water revenue bonds (direct placement)	21,844,000	-	(384,000)	21,460,000	391,000
Notes payable (direct placement)	2,446,486	-	(278,744)	2,167,742	289,084
Unamortized premiums	342,073	-	(56,232)	285,841	-
Lease liabilities	35,590	-	(35,590)	-	-
Payable to developers	557,484	-	(53,344)	504,140	167,712
Compensated absences *	547,096	66,502	-	613,598	252,193
Net pension liability	314,634	656,430	(500,534)	470,530	-
Total long-term liabilities	<u>\$ 52,022,363</u>	<u>\$ 722,932</u>	<u>\$ (3,668,444)</u>	<u>\$ 49,076,851</u>	<u>\$ 3,519,989</u>

* The change in compensated absences is presented as a net change.

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

In addition, as part of the Series 2014 issuance, a portion of the District's revenue bonds are also secured by special assessments on property within a special improvement district (see Note 3). Principal and interest payments are due annually and semi-annually.

In the event of default on the District's bonds, the trustee may pursue any available remedy by suit 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
NOTES TO FINANCIAL STATEMENTS

Water Revenue Bonds

A summary of principal debt requirements to maturity for the water revenue bonds for the years following December 31, 2024 are as follows:

Year Ending December 31,	Outstanding Water Revenue Bonds		Outstanding Bonds Water Revenue (Direct Placement)		Total
	Principal	Interest	Principal	Interest	
2025	\$ 2,420,000	\$ 671,989	\$ 391,000	\$ 976,310	\$ 4,459,299
2026	2,490,000	609,047	397,000	969,998	4,466,045
2027	2,550,000	542,191	403,000	963,550	4,458,741
2028	2,620,000	470,483	409,000	957,002	4,456,485
2029	2,705,000	394,629	417,000	950,318	4,466,947
2030-2034	10,790,000	800,299	1,854,000	4,686,404	18,130,703
2035-2039	-	-	7,609,000	3,823,128	11,432,128
2040-2044	-	-	9,980,000	1,744,743	11,724,743
	<u>\$ 23,575,000</u>	<u>\$ 3,488,638</u>	<u>\$ 21,460,000</u>	<u>\$ 15,071,449</u>	<u>\$ 63,595,087</u>

Water revenue bonds payable with their outstanding balance are comprised of the following individual issues at December 31, 2024:

Series	Purpose	Original Amount	Interest Rate Range	Final Maturity Date	Outstanding Balance
2008	<i>Fire prevention system in Stagecoach Area</i>	\$ 3,026,000	2.00%	2029	\$ 872,000
2011A	<i>Refunding Series 2002 and 2009A water revenue bonds</i>	679,000	1.52%	2031	287,000
2011B	<i>New SCADA system and skid-mounted pretreatment unit</i>	1,278,000	0.00%	2032	524,000
2014	<i>Water system and improvements</i>	8,140,000	2.00% - 5.00%	2030	3,605,000
2019A	<i>Partial refunding of Series 2012 and 2014 water revenue bonds</i>	25,815,000	1.92% - 3.03%	2034	19,970,000
2019B	<i>Community Water System</i>	2,600,000	2.00%	2038	1,777,000
2023	<i>Administration, shop and storage buildings</i>	18,000,000	4.15% - 5.85%	2044	18,000,000
					<u>\$ 45,035,000</u>

The Series 2008 and 2019B bonds have an associated debt service assessment to properties that were annexed into the District during 2008 and 2019 to help finance the cost of improvements. The District recognizes revenue for the assessment each month when the assessment is billed with the regular water sales. During the year ended December 31, 2024, the District collected \$309,889 of debt service assessments.

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

Notes Payable

The District has two notes payable to Weber Basin Water Conservancy District. These notes have an interest rate of 4.60% and have annual payments of \$191,133. The notes mature in 2029 and 2037.

The District has a note payable to Summit County. This note has an interest rate of 3.00% and has an annual payment of \$178,560. The note matures in 2033.

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

Year Ending December 31,	Weber Basin - Capital Facilities		Weber Basin - Transformer Upgrade		Summit County		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 138,313	\$ 33,171	\$ 11,168	\$ 8,481	\$ 139,603	\$ 38,957	\$ 369,693
2026	144,675	27,089	11,683	7,990	143,474	35,086	369,997
2027	151,330	20,726	12,219	7,476	147,451	31,109	370,311
2028	154,564	14,071	12,781	6,939	151,539	27,021	366,915
2029	-	7,109	13,369	6,377	155,741	22,819	205,415
2030-2034	-	-	76,655	22,506	667,353	46,887	813,401
2035-2037	-	-	35,824	4,908	-	-	40,732
	<u>\$ 588,882</u>	<u>\$ 102,166</u>	<u>\$ 173,699</u>	<u>\$ 64,677</u>	<u>\$ 1,405,161</u>	<u>\$ 201,879</u>	<u>\$ 2,536,464</u>

Lease Liability

The District entered into lease agreements as lessee for the right to use office space and equipment. The leases were paid off during 2024 and are fully amortized.

NOTE 6 – RETIREMENT PLANS

Description of Plans

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

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

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

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plan)

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT NOTES TO FINANCIAL STATEMENTS

District employees qualify for membership in the retirement systems if employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board.

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

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 East 200 South, Salt Lake City, Utah 84102 or visiting the website: ww.urs.org/general/publications.

Benefits Provided

The URS provides retirement, disability, and death benefits to participants in the plans.

Retirement benefits in the defined benefit pension plans are determined from 1.50% to 2.00% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

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

Contributions

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

**MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

	Defined Benefit Plans Rates		District Rates for 401(k) Plan	Totals
	District Contribution *	Amortization of UAAL **		
Tier 1 Noncontributory System	11.86%	5.11%	-	16.97 %
Tier 2 Public Employees System	10.08%	5.11%	-	15.19 %
Tier 2 Defined Contribution System	0.08%	5.11%	10.00%	15.19 %

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

** Required contributions include an additional amount to finance any unfunded actuarial accrued liability in the Tier 1

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

	District Contributions *	Employee Contributions
Tier 1 Noncontributory System	\$ 237,811	\$ -
Tier 2 Public Employees System	226,344	5,185
Tier 2 Defined Contribution System	19,987	1,485
401(k) Plan	37,315	-

* A portion of required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability in the Tier 1 plans.

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

At December 31, 2024, the District reported a net pension asset of \$0 and a net pension liability of \$470,530 for the following plans:

	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 376,646
Tier 2 Public Employees System	-	93,884
Total	\$ -	\$ 470,530

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

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

	<u>Proportionate Share</u>	
	<u>2023</u>	<u>Change</u>
Tier 1 Noncontributory System	0.1623783 %	0.0083069 %
Tier 2 Public Employees System	0.0482352 %	0.0016292 %

The District recognized pension expense for the plans as follows at December 31, 2024:

	<u>Pension Expense</u>
Defined benefit pension plans:	
Tier 1 Noncontributory System	\$ 250,729
Tier 2 Public Employees System	122,399
Total	<u>\$ 373,128</u>
Defined contribution plans:	
Tier 2 Defined Contribution Plan	\$ 19,987
401(k) Plan	37,315
Total	<u>\$ 57,302</u>

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

	<u>Deferred Outflows of Resources Related to Pensions</u>		
	<u>Tier 1 Noncontributory System</u>	<u>Tier 2 Public Employees System</u>	<u>Total</u>
Differences between expected and actual experience	\$ 263,733	\$ 30,070	\$ 293,803
Changes of assumptions	113,024	53,739	166,763
Net difference between projected and actual earnings on pension plan investments	122,482	10,602	133,084
Changes in proportion and differences between District contributions and proportionate share of contributions	3,442	10,756	14,198
Contributions subsequent to the measurement date	237,811	246,331	484,142
Total	<u>\$ 740,492</u>	<u>\$ 351,498</u>	<u>\$ 1,091,990</u>

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

	Deferred Inflows of Resources Related to Pensions		
	Tier 1	Tier 2 Public	Total
	Noncontributory System	Employees System	
Differences between expected and actual experience	\$ -	\$ 1,537	\$ 1,537
Changes of assumptions	-	75	75
Changes in proportion and differences between District contributions and proportionate share of contributions	3,203	1,371	4,574
Total	<u>\$ 3,203</u>	<u>\$ 2,983</u>	<u>\$ 6,186</u>

The \$484,142 reported as deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date of December 31, 2023 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2025. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending December 31,	Tier 1 Noncontributory System	Tier 2 Public Employees System	Total
2025	\$ 166,002	\$ 8,638	\$ 174,640
2026	154,645	12,377	167,023
2027	230,275	21,410	251,685
2028	(51,443)	6,846	(44,597)
2029	-	9,462	9,462
Thereafter	-	43,449	43,449

Actuarial Assumptions

The total pension liability (asset) in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on actual experience and mortality tables, considering gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

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

**MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	35.00%	6.87%	2.40%
Debt securities	20.00%	1.54%	0.31%
Real assets	18.00%	5.43%	0.98%
Private equity	12.00%	9.80%	1.18%
Absolute return	15.00%	3.86%	0.58%
Cash and cash equivalents	0.00%	0.24%	0.00%
Total	100%		5.45%
Inflation			2.50%
Expected arithmetic nominal return			7.95%

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, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what its proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

**MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 1,954,778	\$ 376,646	\$ (944,931)
Tier 2 Public Employees System	322,572	93,884	(83,464)
Total	<u>\$ 2,277,350</u>	<u>\$ 470,530</u>	<u>\$ (1,028,395)</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.

Payables to the Pension Plans

The District reported payables of \$24,900 for contributions to defined benefit pension plans and defined contribution plans at December 31, 2024.

NOTE 7 – PLEDGED REVENUES

The District has pledged all its Net Revenue cash, excluding grants, totaling \$80.7 million through 2044 - which is 1.25 times the \$64.5 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 2024, Net Revenue was \$9.84 million and debt service payments on the bonds and notes were \$4.56 million.

NOTE 8 - PAYABLE TO DEVELOPERS

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 \$1.2 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, 2024 was \$504,140. The District has similar agreements with other developers and those amounts as of December 31, 2024 were \$87,712.

**MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$3,000,000 per occurrence through policies administered by the Utah Local Governments Trust. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah Local Governments Trust. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District’s insurance coverage for any of the past three years.

The District also maintains a public treasurer’s fidelity bond with a private carrier. All District employees are covered for workers’ compensation by the WCF Mutual Insurance Company. Unemployment insurance is covered by the District on a pay-as-you-go basis. Claims have been minimal for the past three years.

NOTE 10 - RELATED PARTY TRANSACTIONS

Summit County, a related party, purchases water from the District at board approved water rates. The District sold water totaling \$78,468 to the County during the year ended December 31, 2024. The amount owed to the District from Summit County at December 31, 2024 totaled \$4,464.

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 \$41,294 to SBSRD during the year ended December 31, 2024. The amount owed the District from SBSRD at December 31, 2024 totaled \$2,425.

NOTE 11 – RESTATEMENTS

During the year ended December 31, 2024, the District adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* and restated beginning net position for all periods presented. In addition, beginning net position was restated to record special assessments receivable for special assessments on several capital improvement projects. The net impact on beginning net position is as follows:

	<u>2024</u>
Net position, beginning of year, as previously reported	\$ 93,365,701
Adoption of GASB 101 - <i>Compensated Absences</i>	(28,241)
Recording special assessment receivable	<u>1,838,076</u>
Net position, beginning of year, as restated	<u><u>\$ 95,175,536</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Last Ten Plan Years

	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Tier 1 Noncontributory System:					
2023	0.1623783%	\$ 376,647	1,347,178	28.0 %	96.9%
2022	0.1540714%	263,886	1,212,697	21.8 %	97.5%
2021	0.1429613%	(818,755)	1,092,397	(75.0)%	108.7%
2020	0.1505482%	77,223	1,212,062	6.4 %	99.2%
2019	0.1554776%	585,975	1,276,178	45.9 %	93.7%
2018	0.1689206%	1,243,885	1,391,796	89.4 %	87.0%
2017	0.1738540%	761,707	1,451,472	52.5 %	91.9%
2016	0.1737704%	1,115,819	1,467,356	76.0 %	87.3%
2015	0.1712125%	968,804	1,412,164	68.6 %	87.8%
2014	0.1633703%	709,392	1,359,927	52.2 %	90.2%
Tier 2 Public Employees Retirement System:					
2023	0.0482352%	\$ 93,884	1,247,045	7.5 %	89.6%
2022	0.0466060%	50,748	1,013,939	5.0 %	92.3%
2021	0.3381960%	(14,314)	627,429	(2.3)%	103.8%
2020	0.0301956%	4,343	482,509	0.9 %	98.3%
2019	0.0274599%	6,176	381,495	1.6 %	96.5%
2018	0.0285559%	12,230	332,677	3.7 %	90.8%
2017	0.0246634%	2,175	241,614	0.9 %	97.4%
2016	0.0302245%	3,372	247,865	1.4 %	95.1%
2015	0.0397209%	(87)	256,656	(0.0)%	100.2%
2014	0.0445357%	(1,350)	218,559	(0.6)%	103.5%

MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
Schedules of District Contributions
Utah Retirement Systems
Last Ten Reporting Years

	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Tier 1 Noncontributory System:					
2024	\$ 237,811	\$ 237,811	\$ -	\$ 1,361,292	17.47%
2023	233,076	233,076	-	1,297,032	17.97%
2022	220,821	220,821	-	1,212,697	18.21%
2021	201,766	201,766	-	1,092,397	18.47%
2020	221,480	221,480	-	1,239,568	17.87%
2019	235,447	235,447	-	1,274,754	18.47%
2018	257,065	257,065	-	1,499,825	17.14%
2017	269,625	269,625	-	1,455,675	18.52%
2016	271,021	271,021	-	1,484,334	18.26%
2015	260,772	260,772	-	1,405,863	18.55%
Tier 2 Public Employees System:					
2024	\$ 226,344	\$ 226,344	\$ -	\$ 1,465,380	15.45%
2023	192,712	192,712	-	1,206,504	15.97%
2022	162,583	162,583	-	1,013,939	16.03%
2021	100,054	100,054	-	627,429	15.95%
2020	76,278	76,278	-	484,853	15.73%
2019	59,522	59,522	-	381,495	15.60%
2018	51,080	51,080	-	332,852	15.35%
2017	36,444	36,444	-	244,848	14.88%
2016	38,422	38,422	-	257,695	14.91%
2015	39,235	39,235	-	262,913	14.92%
Tier 2 Defined Contribution System:					
2024	\$ 19,987	\$ 19,987	\$ -	\$ 355,082	5.63%
2023	17,203	17,203	-	277,910	6.19%
2022	19,087	19,087	-	295,795	6.45%
2021	26,054	26,054	-	389,448	6.69%
2020	20,502	20,502	-	311,533	6.58%
2019	19,429	19,429	-	290,416	6.69%
2018	16,813	16,813	-	251,311	6.69%
2017	14,081	14,081	-	210,476	6.69%
2016	8,697	8,697	-	130,001	6.69%
2015	3,524	3,524	-	52,533	6.71%

**MOUNTAIN REGIONAL WATER SPECIAL SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE A – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

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

<u>Plan Year</u>	<u>Discount Rate</u>	<u>Payroll Growth Rate</u>	<u>Wage Inflation Rate</u>	<u>Inflation Rate</u>
2023	6.85%	2.90%	3.50 to 9.50%	2.50%
2022	6.85%	2.90%	3.25 to 9.25%	2.50%
2021	6.85%	2.90%	3.25 to 9.25%	2.50%
2020	6.95%	2.90%	3.25 to 9.25%	2.50%
2019	6.95%	3.00%	3.25 to 9.25%	2.50%
2018	6.95%	3.00%	3.25 to 9.25%	2.50%
2017	6.95%	3.00%	3.25 to 9.25%	2.50%
2016	7.20%	3.25%	3.35 to 9.35%	2.60%
2015	7.50%	3.25%	3.50 to 9.50%	2.75%
2014	7.50%	3.50%	3.75 to 9.75%	2.75%

NOTE B – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

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

OTHER INFORMATION

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
DEBT COVERAGE RATIO
Year Ended December 31, 2024

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 operations increased from 2.00 in 2023 to 2.16 in 2024.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Water sales	\$ 14,397,555	\$ 12,226,502	\$ 11,596,203
Operating fees	516,220	622,151	554,357
Impact fees	1,156,954	851,870	1,499,752
Debt service assessments & special assessment collections	539,506	542,839	817,771
Interest available for debt service	2,054,547	1,223,091	396,178
Other non-restricted cash revenue	224,304	152,489	248,613
Total cash revenue available for debt service from current year operations	<u>18,889,085</u>	<u>15,618,942</u>	<u>15,112,874</u>
Current Year operating expenses	<u>(9,052,333)</u>	<u>(8,516,622)</u>	<u>(7,853,046)</u>
Net Revenue available for debt service payments from current year operations	<u>9,836,753</u>	<u>7,102,320</u>	<u>7,259,828</u>
Current year parity debt service payments	<u>4,564,463</u>	<u>3,545,895</u>	<u>3,534,014</u>
Debt Service Coverage from current year operations	<u>2.16</u>	<u>2.00</u>	<u>2.05</u>
Net Revenue available for debt service payments from current year operations	9,836,753	7,102,320	7,259,828
Rate Stabilization account balance	<u>1,502,268</u>	<u>1,702,952</u>	<u>1,487,105</u>
Total cash available for debt service payments	<u>\$ 11,339,021</u>	<u>\$ 8,805,272</u>	<u>\$ 8,746,933</u>
Debt service coverage with Rate Stabilizataion account	<u>2.48</u>	<u>2.48</u>	<u>2.48</u>

The ratio for 2024 was higher than originally projected due to water sales, interest earnings and impact fees all being higher than budgeted. The budgeted ratio for 2025 is 1.62 based on lower Interest earnings and Impact fees and increased expenses.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
CASH FLOW ANALYSIS
Year Ended December 31, 2024

As shown below, total cash and cash equivalents decreased \$3.49 million (9.1%) in 2024 after having increased by \$15.28 million (66.4%) in 2023 due to the issuance of the Series 2023 bond in the amount of \$18.00 million.

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

	2024	2023	2022	2024 to 2023 Change		2023 to 2022 Change	
				\$	%	\$	%
Unrestricted							
Operating	7,330,618	\$ 8,514,669	\$ 8,672,250	\$ (1,184,051)	(13.9) %	(157,581)	(1.8) %
Rate stabilization reserves for:							
Debt Service	1,031,423	1,246,422	1,184,466	(214,999)	(17.2)	61,956	5.2
Treatment plant	470,845	456,530	302,639	14,315	3.1	153,891	50.8
Drought Reserve	875,445	847,460	813,300	27,985	3.3	34,160	4.2
Regionalization Reserves	669,164	634,648	2,093,120	34,516	5.4	(1,458,472)	(69.7)
Total unrestricted cash and cash equivalents	<u>10,377,494</u>	<u>11,699,729</u>	<u>13,065,775</u>	<u>(1,322,235)</u>	(11.3)	<u>(1,366,046)</u>	(10.5)
Restricted for debt payments							
Held by trustee	967,554	753,035	646,046	214,519	28.5	106,989	16.6
Held by district	472,161	601,352	748,616	(129,191)	(21.5)	(147,264)	(19.7)
Total cash and cash equivalents restricted for debt payments	<u>1,439,715</u>	<u>1,354,387</u>	<u>1,394,662</u>	<u>85,328</u>	6.3	<u>(40,275)</u>	(2.9)
Other restricted							
Impact Fee Reserves	5,249,321	4,645,830	5,430,969	603,491	13.0	(785,139)	(14.5)
Capital facilities construction, repair & replacement reserves	2,203,680	1,492,370	2,017,542	711,310	47.7	(525,172)	(26.0)
Customer Deposits	1,397,756	1,114,649	1,104,278	283,107	25.4	10,371	0.9
Bond Construction	14,131,412	17,985,369	-	(3,853,957)	(21.4)	17,985,369	
Total other restricted	<u>22,982,169</u>	<u>25,238,218</u>	<u>8,552,789</u>	<u>(2,256,049)</u>	(8.9)	<u>16,685,429</u>	195.1
Total cash and cash equivalents	34,799,378	\$ 38,292,334	\$ 23,013,226	\$ (3,492,956)	(9.1) %	\$ 15,279,108	66.4 %

During 2024, unrestricted cash reserves decreased by \$1.32 million (11.3%) due to the use of unrestricted cash reserves to fund acquisition of certain capital assets including the floating solar array. Unrestricted cash reserves decreased by \$1.37 million (10.5%) in 2023 due to the completion of several capital projects.

Operating cash and reserves of \$7.33 million on December 31, 2024, equates to 291 days reserves and is down from \$8.51 million- or 353-days reserves at year-end 2023. District policy requires a minimum 120-day reserve year-round.

Cash restricted for debt payments has been maintained at mandatory levels or higher since the District's inception and was \$1.44 million as of December 31, 2024 (\$1.35 million on December 31, 2023). The increase of \$85,328 (6.3%) in 2024 was to meet the increased debt requirements. The decrease of \$40,275 (2.9%) in 2023 was due to certain debt service payments being greater than the related special assessments collected.

Other restricted cash decreased in 2024 by \$2.26 million (8.9%) as Series 2023 funds were used to fund expenditures related to the construction of the new District office and maintenance facility.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION
Year Ended December 31, 2024

The District realized a \$7.04 million change in net position for 2024. After adjusting the budget for non-cash year-end journal entries, the District's change in net position exceeded budget by \$3.53 million, as shown below.

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

	2024 Amended Budget	Retirement Accrual	Change In Inventory	Contributions In-Aid	2024 Adjusted Budget	2024 Actual	Favorable (Unfavorable)	%
Operating revenues:								
Water Sales	\$ 13,257,500	\$ -	\$ -	\$ -	\$ 13,257,500	\$ 14,397,555	\$ 1,140,055	
Operating fees	491,800	-	-	-	491,800	516,220	24,420	
Other	47,500	-	-	-	47,500	71,970	24,470	
Total operating revenue	<u>13,796,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,796,800</u>	<u>14,985,745</u>	<u>1,188,945</u>	8.6%
Operating expenses:								
Operations								
Energy & resource management	784,100	(12,816)	-	-	771,284	718,334	52,950	
Lost Canyon water transmission	2,083,300	(12,404)	-	-	2,070,896	1,691,544	379,352	
Treatment plant	982,300	(12,517)	-	-	969,783	843,672	126,111	
Distribution	3,681,800	(34,556)	(26,591)	-	3,620,653	3,345,405	275,248	
Safety	98,600	(1,131)	-	-	97,469	83,722	13,747	
Subtotal Line item	<u>7,630,100</u>	<u>(73,424)</u>	<u>(26,591)</u>	<u>-</u>	<u>7,530,085</u>	<u>6,682,677</u>	<u>847,408</u>	11.3%
General Manager								
Administration, finance, engineering and legal	1,423,800	(34,324)	-	-	1,389,476	1,363,814	25,662	
Subtotal Line item	<u>1,423,800</u>	<u>(34,324)</u>	<u>-</u>	<u>-</u>	<u>1,389,476</u>	<u>1,363,814</u>	<u>25,662</u>	
Public services								
Public services	906,800	(19,658)	-	-	887,142	841,583	45,559	
Subtotal Line item	<u>906,800</u>	<u>(19,658)</u>	<u>-</u>	<u>-</u>	<u>887,142</u>	<u>841,583</u>	<u>45,559</u>	
Non-cash Expenses								
Depreciation	2,347,300	-	-	-	2,347,300	2,298,364	48,936	
Subtotal Line item	<u>2,347,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,347,300</u>	<u>2,298,364</u>	<u>48,936</u>	
Total operating expenses	<u>12,308,000</u>	<u>(127,406)</u>	<u>(26,591)</u>	<u>-</u>	<u>12,154,003</u>	<u>11,186,438</u>	<u>967,565</u>	8.0%
Operating income	1,488,800	127,406	26,591	-	1,642,797	3,799,307	221,380	
Non-Operating revenue:								
Grants	11,700	-	-	-	11,700	11,667	(33)	
Interest Income	1,395,200	-	-	-	1,395,200	2,123,495	728,295	
Impact fees	800,000	-	-	-	800,000	1,156,954	356,954	
Special assessments	552,000	-	-	-	552,000	309,889	(242,111)	
Other non-operating revenue	30,000	-	-	-	30,000	552,297	522,297	
Total non-operating revenue	<u>2,788,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,788,900</u>	<u>4,154,302</u>	<u>1,365,402</u>	49.0%
Non-Operating expenses:								
Interest expense	1,833,700	-	-	-	1,833,700	1,822,957	10,743	
Bond insurance cost amortization	2,000	-	-	-	2,000	2,000	-	
Trustee fees	12,000	-	-	-	12,000	13,750	(1,750)	
Total non-operating expenses	<u>1,847,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,847,700</u>	<u>1,838,707</u>	<u>8,993</u>	0.5%
Total non-operating income	<u>941,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>941,200</u>	<u>2,315,595</u>	<u>1,356,409</u>	
Income (loss) before contributions and special items	<u>2,430,000</u>	<u>127,406</u>	<u>26,591</u>	<u>-</u>	<u>2,583,997</u>	<u>6,114,902</u>	<u>3,530,905</u>	
Contributions -in-aid of construction	-	-	-	921,003	921,003	921,003	-	
Change in net position	<u>\$ 2,430,000</u>	<u>\$ 127,406</u>	<u>\$ 26,591</u>	<u>\$ 921,003</u>	<u>\$ 3,505,000</u>	<u>\$ 7,035,905</u>	<u>\$ 3,530,905</u>	100.7%

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
BUDGETARY INFORMATION
Year Ended December 31, 2024

The non-cash year-end budget adjustments include the non-budgeted pension accrual required by GASB Statement No. 68. During 2024, expenses related to the pensions were lower than budgeted by \$127,406 based on the difference between the \$356,736 in actuarial pension benefit reported on these financial statements, and the \$484,142 in actual contributions. Projected cash contributions to pension plans are used to develop budgets.

In addition, the budget was adjusted by \$26,591 to reflect a decrease in expenses that resulted when inventory was adjusted by that amount as of December 31, 2024.

The \$921,003 in contributions in-aid-of construction was added to the 2024 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 \$3.53 million positive budget variance for 2024 was driven by Water sales exceeding budget by \$1.14 million and Interest income exceeding budget by \$701,779. Additionally, operating expenses were lower than budget by \$939,324.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
IMPACT FEES (CASH BASIS)
Year Ended December 31, 2024

As shown below, the District has collected \$21.46 million in impact fees and another \$1.15 million 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 2019	2020	2021	2022	2023	2024	Total
Cash Collections							
Impact Fees	\$ 13,819,923	\$ 735,399	\$ 3,397,951	\$ 1,499,752	\$ 851,870	\$ 1,156,954	\$ 21,461,849
Interest Earnings	534,033	25,349	12,300	83,856	248,936	246,537	1,151,011
Total cash collections	<u>14,353,956</u>	<u>760,748</u>	<u>3,410,251</u>	<u>1,583,608</u>	<u>1,100,806</u>	<u>1,403,491</u>	<u>22,612,860</u>
Cumulative cash collections	14,353,956	15,114,704	18,524,955	20,108,563	21,209,369	22,612,860	
Cash Expenditures							
Debt Service ⁽¹⁾	9,274,929	500,000	600,000	1,425,000	600,000	800,000	13,199,929
District Infrastructure	2,449,214	196,219	232,232	-	991,445	294,500	4,163,610
Total cash expenditures	<u>11,724,143</u>	<u>696,219</u>	<u>832,232</u>	<u>1,425,000</u>	<u>1,591,445</u>	<u>1,094,500</u>	<u>17,363,539</u>
Cumulative cash expenditures	11,724,143	12,420,362	13,252,594	14,677,594	16,269,039	17,363,539	
Net Cash Flow to Date	\$ 2,629,813	\$ 64,529	\$ 2,578,019	\$ 158,608	\$ (490,639)	\$ 308,991	\$ 5,249,321
Cumulative Cash Flow	2,629,813	2,694,342	5,272,361	5,430,969	4,940,330	5,249,321	
Projected Future Uses							
	2025	2026	2027	2028	2029	2030	Total
Debt Service ⁽¹⁾	\$ 600,000	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ 1,800,000
Capital Projects	580,000	1,500,000	1,369,321	-	-	-	3,449,321
Total Future Cash Expenditures	<u>\$ 1,180,000</u>	<u>\$ 2,100,000</u>	<u>\$ 1,969,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,249,321</u>
Total Projected Cumulative Cash Flow							<u>-</u>

(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	<u>\$ 67,121,743</u>	<u>\$ 25,892,920</u>	38.6%
Max Years Financed		<u>15</u>	
Annual Debt Service		<u>\$ 1,726,195</u>	

Of this, \$13.20 million has been applied to debt service payments on bonding that funds projects in the capital facilities plan, while another \$4.16 million has been used to pay directly for projects in the capital facilities plan.

It is anticipated that \$1.80 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 \$3.45 million will be used to pay directly for projects in the capital facilities plan from 2025 through 2027.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
IMPACT FEES (CASH BASIS)
Year Ended December 31, 2024

In 2024, the District collected \$1.15 million in impact fee revenues (\$851,870 in 2023). In 2025, \$600,000 has been budgeted to protect against a potentially slowing market.

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 \$21.46 million in impact fees has been collected. This means impact fee collections have been 82.9% 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.



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

Administrative Control Board
Mountain Regional Water Special Service District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mountain Regional Water Special Service District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2025.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below that we consider to be a material weakness.

As discussed in Note 11 to the basic financial statements for the year ended December 31, 2024, beginning net position was restated to present the District's basic financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

This restatement of net position resulted from recognizing a receivable for previously assessed special assessments.

We recommend management ensure reliable external financial reports are prepared in accordance with GAAP.

Views of responsible officials – We appreciate your recommendations. We have reviewed these items and will make necessary changes.

Compliance and Other Matters

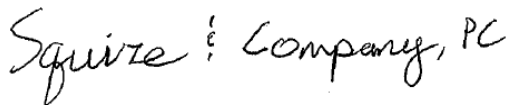
As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned cost. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah
May 13, 2025



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

Board of Education
Mountain Regional Water Special Service District

Report on Compliance

Opinion on Compliance

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

Budgetary Compliance
Fund Balance
Fraud Risk Assessment

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

Basis for Opinion on Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Squize & Company, PC

Orem, Utah
May 13, 2025