

**Supplemental
Continuing Disclosure Memorandum
for**



**MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT
of Summit County, Utah**

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Submitted and dated as of June 2, 2016
(Annual submission required on or before June, 28 2016)

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1. GENERAL

A. Contact Person for Mountain Regional Water Special Service District (District)

As of the date of this Continuing Disclosure, the chief contact person for the District is:

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Mountain Regional Water
6421 N Business Park Loop Road, Suite A
PO Box 982320
Park City, UT 84098
435.940.1916 X306 | f 435.940.1945

B. Fiscal Year

The District's fiscal year is from January 1 to December 31.

C. Change in Trustee

On April 20, 2016 the District removed Wells Fargo Bank as the Trustee and Paying Agent on its bonds and appointed Zions Bank, a division of ZB, National Association, Corporate Trust Department, Salt Lake City, Utah. The change was initiated in order to lower fees and benefit from the relationship with a local bank.

2. PARITY BOND ISSUES

The District is providing this supplemental continuing disclosure for its three public issue bonds, as well as three direct purchase parity bonds issued to the State of Utah.

| | |
|-----------------------|----------------------------|
| A. Series 2008 | Water Revenue Bonds |
| Amount | \$ 3,026,000 |
| Issued | September 4, 2008 |

Background Information

The Series 2008 Bonds were sold directly to the State of Utah Drinking Water Board to facilitate a low interest loan. The Drinking Water Board is the registered owner of the Series 2008 Bonds.

Principal and interest on the Series 2008 Bonds (interest payable June 15 each year) are payable by Zions Bank to the registered owner thereof, the State of Utah Drinking Water Board.

Current Maturity Schedule

**Series 2008
Water Revenue Bonds**

Original Issue: \$ 3,026,000
Amount Currently Outstanding from the District: 2,100,000

| Due June 15 | CUSIP | Principal Amount | Original Interest Rate |
|------------------------|--------------|-----------------------------|-----------------------------------|
| 2017 | n/a | 143,000 | 2.0 |
| 2018 | n/a | 146,000 | 2.0 |
| 2019 | n/a | 149,000 | 2.0 |
| 2020 | n/a | 152,000 | 2.0 |
| 2021 | n/a | 155,000 | 2.0 |
| 2022 | n/a | 158,000 | 2.0 |
| 2023 | n/a | 161,000 | 2.0 |
| 2024 | n/a | 164,000 | 2.0 |
| 2025 | n/a | 168,000 | 2.0 |
| 2026 | n/a | 171,000 | 2.0 |
| 2027 | n/a | 174,000 | 2.0 |
| 2028 | n/a | 178,000 | 2.0 |
| 2029 | n/a | 181,000 | 2.0 |
| Total | | <u>\$ 2,100,000</u> | |

Optional Redemption

The Series 2008 Bonds are subject to redemption at any time at the option of the District, in inverse order of maturity; at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Current Ratings

These bonds were sold directly to the State of Utah, and are therefore unrated.

| | |
|------------------------|--------------------------------------|
| B. Series 2009B | Water Revenue Refunding Bonds |
| Amount | \$ 9,045,000 |
| Issued | September 2, 2009 |

Current Maturity Schedule

**Series 2009B
Water Revenue Refunding Bonds**

| | |
|------------------------|---------------------|
| Original Issue: | <u>\$ 9,045,000</u> |
| Currently Outstanding: | <u>4,610,000</u> |

| Due December 15 | CUSIP 62426V | Principal Amount | Original Interest Rate |
|--------------------|-----------------|---------------------|---------------------------|
| 2016 | BA4 | 1,625,000 | 3.25 |
| 2017 | BB2 | 1,875,000 | 3.50 |
| 2018 | BC0 | 1,110,000 | 3.50 |
| Total | | <u>\$ 4,610,000</u> | |

Background Information

The Series 2009B Bonds were sold pursuant to negotiated sale to Stifel Nicolaus, Denver, Colorado. The Series 2009B Bonds were issued by the District as fully-registered bonds and are in book-entry form only, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC is acting as securities depository for the Series 2009B Bonds.

Principal and interest on the Series 2009B Bonds (interest payable June 15 and December 15 of each year) are payable by Zions Bank to the registered owners thereof, currently DTC.

Optional Redemption

The Series 2009B Bonds are not subject to early redemption.

Current Ratings

Fitch Ratings A+
Standard & Poor AA (AGM Insured); A+ (underlying)

Credit Enhancement

The scheduled principal and interest payments on the Series 2009B Bonds are guaranteed by Assured Guaranty Municipal (AGM).

C. Series 2011A Water Revenue Refunding Bonds
Amount \$ 679,000
Issued December 22, 2011

Current Maturity Schedule

**Series 2011A
Water Revenue Refunding Bonds**

| | |
|--|-------------------|
| Original Issue: | <u>\$ 679,000</u> |
| Amount Currently Outstanding from the District | <u>581,000</u> |

| Due March 1 | CUSIP n/a | Principal Amount | Original Interest Rate |
|------------------------|----------------------|-----------------------------|-----------------------------------|
| 2017 | n/a | 35,000 | 1.52 |
| 2018 | n/a | 35,000 | 1.52 |
| 2019 | n/a | 36,000 | 1.52 |
| 2020 | n/a | 36,000 | 1.52 |
| 2021 | n/a | 37,000 | 1.52 |
| 2022 | n/a | 38,000 | 1.52 |
| 2023 | n/a | 38,000 | 1.52 |
| 2024 | n/a | 39,000 | 1.52 |
| 2025 | n/a | 39,000 | 1.52 |
| 2026 | n/a | 40,000 | 1.52 |
| 2027 | n/a | 40,000 | 1.52 |
| 2028 | n/a | 41,000 | 1.52 |
| 2029 | n/a | 42,000 | 1.52 |
| 2030 | n/a | 42,000 | 1.52 |
| 2031 | n/a | 43,000 | 1.52 |
| Total | | <u>\$ 581,000</u> | |

Background Information

The Series 2011A Bonds were sold directly to the State of Utah Drinking Water Board to consolidate two low interest state loans into a single state loan. The State of Drinking Water Board is the registered owner of the Series 2011A Bonds.

Principal and interest on the Series 2011A Bonds (interest payable March 1 each year) are payable by Zions Bank to the registered owner thereof, the State of Utah Drinking Water Board.

Optional Redemption

The Series 2011A Bonds are subject to redemption at any time at the option of the District, in inverse order of maturity; at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Current Ratings

These bonds were sold directly to the State of Utah, and are therefore unrated.

| | |
|------------------------|----------------------------|
| D. Series 2011B | Water Revenue Bonds |
| Amount | \$ 1,278,000 |
| Issued: | May 17, 2012 |

Current Maturity Schedule

**Series 2011B
Water Revenue Bonds**

| | |
|---|---------------------|
| Original Issue: | <u>\$ 1,278,000</u> |
| Amount Currently Outstanding from the District: | <u>1,049,000</u> |

| Due March 31 | CUSIP n/a | Principal Amount | Original Interest Rate |
|-------------------------|----------------------|-----------------------------|-----------------------------------|
| 2017 | n/a | 66,000 | 0.0 |
| 2018 | n/a | 66,000 | 0.0 |
| 2019 | n/a | 66,000 | 0.0 |
| 2020 | n/a | 65,000 | 0.0 |
| 2021 | n/a | 66,000 | 0.0 |
| 2022 | n/a | 65,000 | 0.0 |
| 2023 | n/a | 66,000 | 0.0 |
| 2024 | n/a | 65,000 | 0.0 |
| 2025 | n/a | 66,000 | 0.0 |
| 2026 | n/a | 65,000 | 0.0 |
| 2027 | n/a | 66,000 | 0.0 |
| 2028 | n/a | 65,000 | 0.0 |
| 2029 | n/a | 66,000 | 0.0 |
| 2030 | n/a | 65,000 | 0.0 |
| 2031 | n/a | 66,000 | 0.0 |
| 2032 | n/a | 65,000 | 0.0 |
| Total | | <u>\$ 1,049,000</u> | |

Background Information

The Series 2011B Bonds were sold directly to the State of Utah Drinking Water Board to facilitate a zero interest state loan. The State Drinking Water Board is the registered owner of the Series 2011B Bonds.

Principal on the Series 2011B Bonds is payable by Zions Bank to the registered owner thereof, the State of Utah Drinking Water Board.

Optional Redemption

The Series 2011B Bonds are subject to redemption at any time at the option of the District, in inverse order of maturity; at the redemption price of 100%.

Current Ratings

These bonds were sold directly to the State of Utah, and are therefore unrated.

| | |
|-----------------------|--------------------------------------|
| E. Series 2012 | Water Revenue Refunding Bonds |
| Amount | \$ 27,270,000 |
| Issued | June 13, 2012 |

Current Maturity Schedule

**Series 2012
Water Revenue Refunding Bonds**

| | |
|---|----------------------|
| Original Issue: | <u>\$ 27,270,000</u> |
| Amount Currently Outstanding from the District: | <u>27,270,000</u> |

| Due December 15 | CUSIP 62426V | Principal Amount | Original Interest Rate |
|--------------------|-----------------|----------------------|---------------------------|
| 2018 | BE6 | \$ 200,000 | 4.0 |
| 2019 | BF3 | 1,355,000 | 4.0 |
| 2020 | BG1 | 1,410,000 | 4.0 |
| 2021 | BH9 | 1,465,000 | 4.0 |
| 2022 | BJ5 | 1,520,000 | 4.0 |
| 2023 | BK2 | 1,585,000 | 4.0 |
| 2024 | BL0 | 1,645,000 | 4.0 |
| 2025 | BM8 | 1,710,000 | 4.0 |
| 2026 | BN6 | 1,780,000 | 4.0 |
| 2027 | BP1 | 1,850,000 | 4.0 |
| 2028 | BQ9 | 1,925,000 | 4.0 |
| 2029 | BR7 | 2,005,000 | 4.0 |
| 2031 | BT3 | 4,240,000 | 3.5 |
| 2033 | BV8 | 4,580,000 | 5.0 |
| Total | | <u>\$ 27,270,000</u> | |

Background Information

The Series 2012 Bonds were sold pursuant a competitive sale to Stifel Nicolaus, Denver, Colorado. The Series 2012 Bonds were issued by the District as fully-registered bonds and are in book-entry form only, registered in the name of Cede & Co., as nominee for DTC. DTC is acting as securities depository for the Series 2012 Bonds.

Principal and interest on the Series 2012 Bonds (interest payable June 15 and December 15 of each year) are payable by Zions Bank to the registered owners thereof, currently DTC.

Optional Redemption

The Series 2012 Bonds maturing on or after December 15, 2022, are subject to redemption at the option of the District on December 15, 2021; at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2012 Bonds maturing on December 15, 2031 and December 15, 2033 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

| <u>Mandatory Sinking Fund Redemption Date</u> | <u>Sinking Fund Requirements</u> |
|---|--------------------------------------|
| December 15, 2030..... | \$2,085,000 |
| December 15, 2031 (final maturity) | <u>2,155,000</u> |
| Total..... | <u>\$4,240,000</u> |
| | |
| December 15, 2032..... | \$2,230,000 |
| December 15, 2033 (final maturity) | <u>2,350,000</u> |
| Total..... | <u>\$4,580,000</u> |

Current Ratings

Fitch Ratings A+
Standard & Poor AA (AGM Insured); A+ (underlying)

Credit Enhancement

The scheduled principal and interest payments on the Series 2012 Bonds are guaranteed by AGM.

F. Series 2014 Water Revenue Bonds
Amount \$ 8,140,000
Issued December, 18 2014

Current Maturity Schedule

**Series 2014
Water Revenue Bonds**

Original Issue: \$ 8,140,000
Amount Currently Outstanding from the District: 8,140,000

| Due December 15 | CUSIP 62426V | Principal Amount | Original Interest Rate |
|----------------------------|-------------------------|-----------------------------|-----------------------------------|
| 2016 | BW6 | \$ 245,000 | 2.0 |
| 2018 | BX4 | 250,000 | 2.0 |
| 2019 | BY2 | 255,000 | 2.0 |
| 2020 | BZ9 | 465,000 | 2.0 |
| 2021 | C 3 | 475,000 | 3.0 |
| 2022 | CB1 | 485,000 | 3.0 |
| 2023 | CC9 | 505,000 | 4.0 |
| 2024 | C 7 | 520,000 | 4.0 |
| 2025 | CE5 | 540,000 | 4.0 |
| 2026 | CF2 | 565,000 | 4.0 |
| 2028 | C 0 | 1,195,000 | 4.3 |
| 2030 | C 8 | 1,305,000 | 4.5 |
| 2034 | CJ4 | 1,335,000 | 5.0 |
| Total | | <u>\$ 8,140,000</u> | |

Background Information

The Series 2014 Bonds were sold pursuant a negotiated sale to KayBanc Capital Markets, Inc. The Series 2014 Bonds were issued by the District as fully-registered bonds and are in book-entry form only, registered in the name of Cede & Co., as nominee for DTC. DTC is acting as securities depository for the Series 2014 Bonds.

Principal and interest on the Series 2014 Bonds (interest payable June 15 and December 15 of each year) are payable by Zions Bank to the registered owners thereof, currently DTC.

Optional Redemption

The Series 2014 Bonds maturing on or after December 15, 2025 are subject to redemption at the option of the District on December 15, 2024; at the redemption price of 100% plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2014 Bonds maturing on December 15, 2028; December 15, 2030; and December 15, 2034 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

| <u>Mandatory Sinking Fund Redemption Date</u> | <u>Sinking Fund Requirements</u> |
|---|--------------------------------------|
| December 15, 2027..... | \$ 585,000 |
| December 15, 2028 (final maturity) | <u>610,000</u> |
| Total..... | <u>\$1,195,000</u> |
| December 15, 2029..... | \$ 640,000 |
| December 15, 2030 (final maturity) | <u>665,000</u> |
| Total..... | <u>\$1,305,000</u> |
| December 15, 2031..... | \$ 310,000 |
| December 15, 2032..... | 325,000 |
| December 15, 2033..... | 340,000 |
| December 15, 2034 (final maturity) | <u>360,000</u> |
| Total..... | <u>\$1,335,000</u> |

Current Ratings

Fitch Ratings A+
Standard & Poor AA (AGM Insured); A+ (underlying)

Credit Enhancement

The scheduled principal and interest payments on the Series 2014 Bonds are guaranteed by AGM.

3. DEBT SERVICE COVERAGE

A. Rate Stabilization Fund

The District established a rate stabilization fund to mitigate cyclical development related revenue, assessment prepayments, and treatment plant costs that vary dramatically year to year. Additionally, the impact of weather on annual water sales can be significant.

Debt Service Sub Fund

There is currently \$1.07 million in the Debt Service Sub Fund that can only be used to make parity bond payments in the unlikely case insufficient cash is generated from operations in any given year. In the event of a cash shortfall, the amount transferred from this fund to cover the shortfall can be included in that year's debt coverage calculation. However, it is a violation of District policy to use these funds to calculate debt coverage for budget purposes.

Policy requires the District to maintain a minimum \$1.0 million balance in this fund. If the balance falls below \$1.0 million, District policy is required to restore the balance to \$1.0 million within 36 months.

Prepaid Assessment Sub Fund

Two developments in the District are required to pay assessments that are applied to related debt payments. As some of these assessments are prepaid before related debt payments are due, these prepayments are deposited in the Prepaid Assessment Sub Fund.

In future years when lower assessments are collected, the Prepaid Assessment Sub Fund balance may be used to calculate both budgeted and actual year-end debt coverage ratios. There is currently \$78,621 in the Prepaid Assessment Sub Fund.

Treatment Plant Sub Fund

The District budgets the same \$65,000 amount each year for high carbon and membrane filters whether it plans to acquire any or not. This represents one-tenth of the amount it is anticipated will be spent over the next ten years on these two items.

In most years little or no funds will be spent on these items, and the unused budget amount is deposited into the Treatment Plant Sub Fund.

In years when the actual amount expended is expected to exceed the annual budget amount, the District will include the portion of the Treatment Plant Sub Fund needed to pay for the amount spent on the carbon and membrane filters beyond the annual budget amount for both its budget and actual year-end debt coverage calculations.

In 2015, \$87,184 was taken from this fund to purchase carbon, leaving a current balance of \$126,419.

B. Historical Debt Coverage

The District is required to maintain a debt coverage ratio of 1.25 each year per bond covenants. As shown on the next page, the District's Fiscal Year 2015 debt coverage was 1.79 without including the rate stabilization fund; and 2.15 when the stabilization fund was included.

| Mountain Regional Water Historical Debt Service Coverage | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Operating revenues: | | | | | |
| Water sales | \$ 5,297,520 | \$ 6,873,147 | \$ 6,884,945 | \$ 6,812,829 | \$ 7,571,009 |
| Operating fees | 151,616 | 153,805 | 259,851 | 350,920 | 421,448 |
| Services | - | - | - | - | - |
| Other | 48,278 | 236,217 | 69,330 | 52,913 | 75,038 |
| Total operating revenues | 5,497,414 | 7,263,169 | 7,214,126 | 7,216,662 | 8,067,495 |
| Operating Expenses: | | | | | |
| Operations, maintenance and repairs | 1,536,953 | 1,788,963 | 1,870,797 | 1,993,860 | 1,939,408 |
| Water production | 1,163,162 | 1,728,574 | 1,527,502 | 1,533,912 | 1,770,336 |
| Engineering and energy and technology management | 380,717 | 415,844 | 423,200 | 440,263 | 551,055 |
| Management and finance | 614,292 | 568,164 | 642,462 | 727,298 | 677,152 |
| Legal services | 18,179 | 4,805 | 30,254 | 45,499 | 24,560 |
| Pension expense | - | - | - | - | 177,043 |
| Actuarial pension adjustment | - | - | - | - | 125,447 |
| Total operating expenses | 3,713,303 | 4,506,350 | 4,494,215 | 4,740,832 | 5,265,001 |
| Net operating revenues | 1,784,111 | 2,756,819 | 2,719,911 | 2,475,830 | 2,802,494 |
| Non-operating revenues: | | | | | |
| Cash Grants | - | - | 35,981 | - | 4,987 |
| Interest income available for debt service | 152,710 | 101,983 | 26,491 | 29,670 | 80,464 |
| Impact fees | 242,285 | 196,067 | 563,385 | 625,850 | 1,254,502 |
| SID assessments | 453,020 | 499,397 | 794,375 | 1,575,816 | 1,730,632 |
| Treatment Plant Stabilization Fund | - | - | - | - | 87,184 |
| Gain (loss) on fixed assets | 3,398 | 16,952 | - | 9,138 | 144,008 |
| Other non-operating revenue | 1,725 | 5,612 | 2,996 | 86,157 | 107,168 |
| Non-operating revenues | 853,138 | 820,011 | 1,423,228 | 2,326,631 | 3,408,945 |
| Total Net Revenue available for debt service from ongoing operations | \$ 2,637,249 | \$ 3,576,830 | \$ 4,143,139 | \$ 4,802,461 | \$ 6,211,439 |
| Parity debt service: | | | | | |
| 2014 Bonds | \$ - | \$ - | \$ - | \$ - | \$ 311,941 |
| 2012 Bonds | - | 561,875 | 1,111,400 | 1,111,400 | 1,111,400 |
| 2011B Bonds | - | - | 54,000 | 54,000 | 55,000 |
| 2011A Bonds | - | 11,978 | 20,169 | 20,017 | 43,866 |
| 2009B Bonds | 262,450 | 364,450 | 872,450 | 1,773,725 | 1,756,788 |
| 2009A Bonds | 54,650 | - | - | - | - |
| 2008 Bonds | 55,480 | 53,747 | 184,880 | 185,240 | 184,540 |
| 2006 Bonds | 21,000 | - | 21,000 | 22,000 | - |
| 2003 Bonds | 1,616,430 | 746,175 | - | - | - |
| 2002B Bonds | 37,000 | - | 37,000 | 37,000 | - |
| 2002 Bonds | 20,428 | - | - | - | - |
| 1991 Atkinson Note | 25,450 | - | - | - | - |
| Total parity debt service | \$ 2,092,888 | \$ 1,738,225 | \$ 2,300,899 | \$ 3,203,382 | \$ 3,463,535 |
| Debt coverage from ongoing operations | 1.26 X | 2.06 X | 1.80 X | 1.50 X | 1.79 |
| Rate Stabilization Fund | | | | | |
| | 416,874 | 1,022,262 | 1,202,048 | 1,227,634 | 1,226,512 |
| Total Net Revenue available for debt service | \$ 3,054,123 | \$ 4,599,092 | \$ 5,345,187 | \$ 6,030,095 | \$ 7,437,951 |
| Total debt coverage including the Rate Stabilization Fund | 1.46 X | 2.65 X | 2.32 X | 1.88 X | 2.15 |

4. THE WATER SYSTEM

A. Overview

The District water system consists of a complex distribution system with several water sources, including springs, wells, and surface diversions. The system also includes a raw irrigation system for two golf courses and other appurtenant irrigation uses.

The distribution system has approximately 200 miles of pipelines interconnecting the District's water sources to tanks, to a raw water storage pond, to individual water users, and to wholesale customers. The District also supplies three major wholesale customers, namely Park City, Summit Water Distribution Company, and High Valley Company, and is a backup to Gorgoza Mutual Water Company, Pine Meadows, and Service Area #3.

The District has 10.2 million gallons of culinary water storage, with 2.0 million more gallons under construction, and 10.1 million gallons of raw water storage. The District can treat water for distribution purposes at a peak of 4.5 million gallons per day.

B. Customer Accounts

The District's water connections are shown below, along with its equivalent residential connections ("ERC"). An ERC is the amount of water consumed by a typical residence in one year, which is .60 acre feet. All residential customers are considered to be 1.0 ERC.

| Mountain Regional Water Special Service District Customer Accounts | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | May 2012 | May 2013 | May 2014 | May 2015 | May 2016 |
| Customers Using Water | | | | | |
| Residential | 2,894 | 2,929 | 2,992 | 3,137 | 3,301 |
| Commercial / Industrial | 124 | 126 | 126 | 132 | 136 |
| Irrigation | 50 | 53 | 55 | 55 | 56 |
| Construction / Wholesale | 19 | 15 | 23 | 30 | 25 |
| Subtotal - Customers Using Water | 3,087 | 3,123 | 3,196 | 3,354 | 3,518 |
| Platted Undeveloped Lots | | | | | |
| Standby Customers | 1,890 | 1,865 | 1,882 | 1,841 | 1,709 |
| Subtotal - Customers on Standby | 1,890 | 1,865 | 1,882 | 1,841 | 1,709 |
| Total Customer Accounts | 4,977 | 4,988 | 5,078 | 5,195 | 5,227 |
| % Change from Prior Year | 3.0% | 0.2% | 1.8% | 2.3% | 0.6% |
| Total Equivalent Residential Connections (ERCs) | 4,554 | 7,832 | 7,435 | 7,752 | 9,039 |
| % Change from Prior Year | -0.7% | 72.0% | -5.1% | 4.3% | 16.6% |

All nonresidential customers including commercial, industrial, and irrigation accounts generally use more water than a typical residence, so their use is equated to how many residences use an equivalent amount of water. The standard ERC for nonresidential customers is also set at 0.60 acre feet annually.

Total ERCs have increased 1,287 or 16.6% from May 2015 primarily due to the District selling its surplus water to Weber Basin under the Weber Basin Regionalization Agreement, discussed in

more detail on the following pages. Over the past 12 months, the District transported 1,032 ERCs to Weber Basin.

Since May 2012 total ERCs have increased 4,485 or 98.5% due to a dramatic increase in raw water wheeled to Park City's treatment plant and the surplus water sold to Weber Basin as discussed above. In fact, 2,632 ERCs were transported to Park City the past 12 months.

New customers using water increased 164 over the past twelve months to 3,518, a 4.9% increase.

As of May 2016, there were 1,709 standby accounts, which is 132 less than twelve months ago. This indicates the number of new buildings constructed on existing lots has out-paced the newly platted undeveloped lots.

C. Water Production

The District has acquired sufficient water rights and developed sufficient sources to meet its current and projected growth demands for the next 20 years or more. District water production by source is shown on the following page.

**Mountain Regional Water Special Service District
Annual Water Production by Source (in Gallons)**

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|
| Water Produced for District Customers | | | | | |
| Atkinson Wells | | | | | |
| Atkinson Well #2 | - | - | 13,000 | 2,000 | 80,000 |
| Jailhouse Well #3 | 4,717,500 | 4,133,400 | 1,080,300 | 907,300 | 2,148,000 |
| Atkinson Well #10 | 1,734,300 | 28,243,000 | 27,065,000 | 16,297,000 | 27,019,000 |
| Starpointe Well #15B | 205,207,000 | 224,728,424 | 145,379,328 | 92,517,632 | 156,116,480 |
| Lost Creek ⁽¹⁾ | | | | | |
| Rockport Well Field & Reservoir | 407,898,408 | 645,873,682 | 608,265,000 | 685,891,000 | 656,163,000 |
| Spring Creek | | | | | |
| Blackhawk Well #2R | 17,295,500 | 11,291,700 | 1,790,600 | 56,900 | 308,900 |
| Gorgoza Well #6 | 9,780,000 | 9,393,000 | 6,018,000 | 3,152,000 | 7,474,000 |
| Nugget Well | 1,200,000 | 7,494,000 | 4,345,000 | 1,327,000 | 4,861,000 |
| Silver Springs | | | | | |
| Spring Creek Springs | 66,695,000 | 93,388,000 | 81,173,000 | 76,292,000 | 81,917,000 |
| Lakeside Well #1 | 32,051,000 | 38,478,000 | 24,404,000 | 40,179,000 | 39,294,000 |
| Summit Park Wells | | | | | |
| Summit Park Well #7 | 14,437,000 | 9,075,000 | 8,773,000 | 5,505,000 | 2,558,500 |
| Total Water Produced for MRW Customers | 761,015,708 | 1,072,098,206 | 908,306,228 | 922,126,832 | 977,939,880 |
| % Change from Prior Year | -2.4% | 40.9% | -15.3% | 1.5% | 6.1% |
| Water Transported from District Sources to Other Water Companies ⁽²⁾ | | | | | |
| Summit Water Distribution System | | | | | |
| Olympic Park | 19,089,100 | 13,471,800 | 20,479,600 | 17,750,600 | 21,426,900 |
| Rockport Well Field & Reservoir (MRW Source) | | | | | |
| High Valley | 11,053,000 | 20,374,000 | 28,353,000 | 24,430,000 | 23,730,000 |
| Park City | 12,867,592 | 376,821,318 | 488,115,000 | 462,131,000 | 577,056,000 |
| Weber Basin | - | - | - | - | 123,074,000 |
| Total Water Transported | 43,009,692 | 410,667,118 | 536,947,600 | 504,311,600 | 745,286,900 |
| % Change from Prior Year | 67.6% | 85.4% | 30.8% | -6.1% | 47.8% |
| Total Production & Sources | 804,025,400 | 1,482,765,324 | 1,445,253,828 | 1,426,438,432 | 1,723,226,780 |
| | (0.1) | 84.4 | (2.5) | (1.3) | 20.8 |

(1) - Starting in 2011, the District implemented a policy to reduce or eliminate production in old, inefficient wells with unpredictable water quality; and to replace this reduced production by increasing production in the Lost Creek surface water diversions that is treated before it is delivered to culinary customers. Surface water is more drought resilient than District wells typically are, and the power cost per gallon is lower for Lost Creek water production.

(2) - The District produces and transports water from its source to other water companies. The other water companies either own or lease the related water rights for the water transported by the District.

Production for District customers increased 6.1% to 977.9 million gallons in 2015 due to customer growth. Production also increased in 2014 by 1.5% for the same reason.

Unusually cool wet summer weather led to a 15.3% drop in 2013 production for District customers when compared to 2012; and a 2.4% reduction in 2011 production over 2010.

Very hot dry summer weather led to a 40.9% increase in 2012 production for District customers when compared to 2011.

Water transported by the District to other water companies increased significantly in 2015 from 504.3 million gallons in 2014 to 745.3 million gallons in 2015. This is primarily due to the sale of 123.1 million gallons of surplus water sold to Weber Basin under the regionalization agreement. This will increase significantly again in 2016 as the District has contracted with Weber Basin for the sale of 700 acre feet in 2016, as compared to 400 acre feet in 2015.

Water transported by the District to other water companies increased from 43.0 million gallons in 2011 to 410.7 million gallons in 2012, as Park City completed a new treatment plant. This plant is now a major source of water for Park City, which is not in the District's boundaries.

Regarding water sources, the District currently utilizes 11 groundwater wells, a groundwater spring, and two large surface water diversions at or near Rockport Reservoir. These sources yield a combined peak flow of over 12,000 gallons per minute.

The District has acquired sufficient water rights, entered into future importation contracts with Weber Basin Water Conservancy District, and developed sufficient source capacity to meet its current and projected growth demands for the next 20 years or more. The District's water rights now total 8,014 acre feet.

The Lost Canyon project alone utilizes two Rockport surface diversions that produce over 10,000 gallons per minute of source flow or 7,500 acre feet per year. Park City owns capacity rights up to 2,900 acre feet of the Lost Canyon project; and Weber Basin owns up to 900 acre feet. The District owns capacity rights up to 3,700 acre feet.

The District's service area resides within a steep vertical terrain, ranging from a low 6,100 foot elevation to over 9,300 feet, and as such, the District operates 135 pump facilities. All pumping systems combined have a peak capacity of nearly 33,000 gallons per minute, with pumps totaling over 9,400 horsepower. The District pumped over 1.72 million gallons in 2015.

The District has an annual energy pumping load of over 8 million kilowatt hours. These systems utilize an advanced SCADA (telemetry) system which controls all tank levels, well pumps, treatment facilities, and booster pumps, and plays a key role in District energy efficiency programs. As a result of current energy and water conservation management strategies, the District has realized a significant savings in energy and power alone. The net energy bill of the District for 2015 was approximately \$645,000. Without efficiency programs, the District would have paid over \$1,000,000 in power costs. The District saved approximately \$298,000 through power and energy management programs, \$58,000 through water loss management programs, and \$36,000 through water conservation programs.

D. Water Usage

The District's annual water usage is shown below.

Mountain Regional Water Special Service District Water Usage

| Usage by District Customers | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|--------------------|----------------------|----------------------|----------------------|----------------------|
| Customer Type | | | | | |
| Residential | 295,505,801 | 372,458,039 | 329,150,000 | 321,902,358 | 329,266,479 |
| Commercial / Industrial | 56,454,941 | 71,467,000 | 73,934,000 | 66,085,000 | 67,070,623 |
| Irrigation | 206,070,000 | 279,694,143 | 240,762,000 | 229,555,000 | 261,491,000 |
| Construction | 3,827,493 | 9,900,712 | 9,531,776 | 9,177,118 | 7,668,687 |
| Other | 998,812 | 303,000 | 329,000 | 721,000 | 19,751,000 |
| Total Usage by MRW Customers | 562,857,047 | 733,822,894 | 653,706,776 | 627,440,476 | 685,247,789 |
| % Change from Prior Year | -6.3% | 30.4% | -10.9% | -4.0% | 9.2% |
| Transported (Wheeled) Water | | | | | |
| High Valley ⁽¹⁾ | 11,053,000 | 20,374,000 | 29,625,000 | 24,430,000 | 23,730,000 |
| Olympic Park Wheeling ⁽²⁾ | 18,610,400 | 10,330,000 | 21,845,700 | 15,569,200 | 25,005,600 |
| Park City Wheeling ⁽³⁾ | 12,867,592 | 376,821,318 | 486,994,519 | 460,325,041 | 580,267,559 |
| Weber Basin ⁽⁴⁾ | - | - | - | - | 123,074,000 |
| Total Transported Wheeled Water | 42,530,992 | 407,525,318 | 538,465,219 | 500,324,241 | 752,077,159 |
| % Change from Prior Year | 65.6% | 858.2% | 32.1% | -7.1% | 50.3% |
| Total Usage Plus Transported Water | 605,388,039 | 1,141,348,212 | 1,192,171,995 | 1,127,764,717 | 1,437,324,948 |
| % Change from Prior Year | -3.4% | 88.5% | 4.5% | -5.4% | 27.4% |

(1) - High Valley is a private water company for which the District transports water from a jointly owned source operated solely by the District. High Valley also has its own sources as well. The numbers shown represent only the amount of water wheeled by the District.

(2) - The District wheels water from Summit Water (private water company) sources to the Olympic Park. The Olympic Park is a District customer, and the District operates and maintains the Olympic Park water system and the interconnect from Summit Water.

(3) - The District transports water to Park City through District sources and infrastructure. Park City reimburses Mountain Regional for actual wheeling costs plus a capital buy-in and repair/replacement component. The related water leases are owned by Park City.

(4) - Under the terms of the water regionalization agreement, the District is selling its surplus water to Weber Basin.

Usage by District customers increased 9.2% to 685.2 million gallons in 2015 largely due to customer growth. For 2012, the summer weather was unusually hot and dry; while during 2011 the summer weather was unusually cool and wet. These weather patterns are reflected in the percentage changes for use by District customers for those years, as shown above.

As discussed earlier, water production for District customers increased 6.1% in 2015 compared to the 9.2% increase in usage. This apparent discrepancy is due to a small change in water loss. The District is currently replacing the waterlines in the Summit Park Service Area over a 20 year period. This service area accounts for the majority of water loss for District customers.

Water transported by the District increased 50.3% to 752.1 million gallons in 2015 – which compares to the 47.8% related increase in production.

As mentioned above, Park City completed a new treatment plant in 2012 that necessitated a dramatic increase in raw water delivered by the District to Park City. Additionally, the District is now delivering its surplus water to Summit Water Distribution Company through the regionalization agreement with Weber Basin.

E. Major Water Users

The top ten users of the system for 2015, based on revenue, are shown below.

Mountain Regional Water Special Service District Top Ten Water Customers Annual Billings

| 2015 Rank | MRW Customer | Type of Customer | 2015 Dollars | % of Total |
|------------------------------|-----------------------------|---------------------------|---------------------|--------------|
| 1 | Promontory - The Ranch Club | Recreation / Golf Courses | \$ 553,010 | 7.3% |
| 2 | Park City Municipal | Government | 534,675 | 7.1% |
| 3 | Weber Basin | Government | 275,400 | 3.6% |
| 4 | Olympic Park | Recreation | 148,161 | 2.0% |
| 5 | Newpark | Multi-Use Development | 87,632 | 1.2% |
| 6 | Triumph Gear Systems | Industrial | 57,127 | 0.8% |
| 7 | Summit County | Government | 56,201 | 0.7% |
| 8 | Trailside School | School | 44,131 | 0.6% |
| 9 | Blackhawk HOA | Recreation / Amenities | 42,503 | 0.6% |
| 10 | Glenwild HOA | Recreation / Amenities | 40,040 | 0.5% |
| Top Ten Total | | | \$ 1,838,882 | 24.3% |
| Total - All Customers | | | \$ 7,571,009 | |

The list includes various customer types including government, schools, retail, industrial, mixed use and recreation.

Promontory accounted for 7.3% of total water sales in 2015 – mostly to irrigate two golf courses. Park City Municipal accounted for 7.1% of sales for raw water transported by the District to Park City’s treatment plant in order to help meet water demand within Park City. Weber Basin accounted for 3.6% of total water sales, all of which was delivered to Summit Water Distribution Company. The remaining seven customers range from 2.0% to 0.5% of sales.

F. Wholesale Water Users

The District provides wholesale water service to various entities.

Park City Municipal Corporation. The District has a long-term contract to wheel up to 2,900 acre feet annually to Park City through the District’s transmission system from Rockport Reservoir to Park City’s treatment plant.

Construction Water. The District provides contractors, businesses, and homeowners the ability to draw water from fire hydrants for construction purposes.

Park City Ski Resort. The District provides snowmaking water for the Park City ski runs within the Colony development.

High Valley. The District shares ownership of an old well with High Valley Mutual Water Company that no longer meets drinking water standards. As such, the District either blends good water with this well water to provide High Valley with safe drinking water, or provides High Valley with water from other sources.

Summit Water. In 2011, the District entered into an agreement with Summit Water Mutual Water Company to sell up to 400 acre–feet per year of culinary water on an interim basis until 2025, or when an additional importation project is developed in Snyderville Basin, whichever comes first.

Weber Basin Regionalization Agreement. In 2013, the District entered into an agreement with Weber Basin, Park City, Snyderville Basin Water Reclamation District, and Summit Water. This agreement allows Mountain Regional to sell its surplus water to Weber Basin until a second importation project into the basin is constructed. Weber Basin can then resell this water to other water entities in the Snyderville Basin who need water.

Weber Basin will construct a second importation project into the Snyderville Basin once Mountain Regional is out of surplus water. It anticipates the project will be completed within 7 to 10 years. Mountain Regional’s participation in the second importation project should be minimal.

Weber Basin currently has a five-year contractual commitment with Summit Water to purchase water from the District under the regionalization agreement which began in 2015. Under this agreement, Weber Basin purchased 378 acre feet of water in 2015 for delivery to Summit Water. In 2016, Weber Basin has committed to purchase up to 700 acre feet of water.

G. Water Rates and Charges

The District has authority pursuant to State law to establish rates for its water service effective at any time. The law only stipulates that these rates and charges be fair and reasonable.

The District adopted a water rate increase effective on bills issued in September 2014, and a second increase effective on bills issued in September 2015. Combined, these two increases resulted in an average 7.5% increase.

The District’s current water rates and charges are shown on the following pages.

Water Rates

Amount

Residential - 1.0 ERCs

| | | | |
|--------------------|----|-------|--------------------------|
| Monthly Base Rate | \$ | 60.00 | <i>Per Connection</i> |
| Usage (in gallons) | | | |
| Zero to 5,000 | | 1.75 | <i>Per 1,000 Gallons</i> |
| 5,001 to 20,000 | | 4.50 | <i>Per 1,000 Gallons</i> |
| 20,001 to 30,000 | | 5.00 | <i>Per 1,000 Gallons</i> |
| 30,001 to 40,000 | | 8.00 | <i>Per 1,000 Gallons</i> |
| 40,001 to 60,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| 60,001 to 80,000 | | 15.00 | <i>Per 1,000 Gallons</i> |
| 80,001 to 100,000 | | 18.00 | <i>Per 1,000 Gallons</i> |
| Above 100,000 | | 21.00 | <i>Per 1,000 Gallons</i> |

Residential - 1.4 ERCs

| | | | |
|--------------------|--|-------|--------------------------|
| Monthly Base Rate | | 84.00 | <i>Per Connection</i> |
| Usage (in gallons) | | | |
| Zero to 7,000 | | 1.75 | <i>Per 1,000 Gallons</i> |
| 7,001 to 28,000 | | 4.50 | <i>Per 1,000 Gallons</i> |
| 28,001 to 42,000 | | 5.00 | <i>Per 1,000 Gallons</i> |
| 42,001 to 56,000 | | 8.00 | <i>Per 1,000 Gallons</i> |
| 56,001 to 84,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| 84,001 to 112,000 | | 15.00 | <i>Per 1,000 Gallons</i> |
| 112,001 to 140,000 | | 18.00 | <i>Per 1,000 Gallons</i> |
| Above 140,000 | | 21.00 | <i>Per 1,000 Gallons</i> |

Residential - 1.8 ERCs

| | | | |
|--------------------|--|--------|--------------------------|
| Monthly Base Rate | | 108.00 | <i>Per Connection</i> |
| Usage (in gallons) | | | |
| Zero to 9,000 | | 1.75 | <i>Per 1,000 Gallons</i> |
| 9,001 to 36,000 | | 4.50 | <i>Per 1,000 Gallons</i> |
| 36,001 to 54,000 | | 5.00 | <i>Per 1,000 Gallons</i> |
| 54,001 to 72,000 | | 8.00 | <i>Per 1,000 Gallons</i> |
| 72,001 to 108,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| 108,001 to 144,000 | | 15.00 | <i>Per 1,000 Gallons</i> |
| 144,001 to 180,000 | | 18.00 | <i>Per 1,000 Gallons</i> |
| Above 180,000 | | 21.00 | <i>Per 1,000 Gallons</i> |

Non-residential - Per ERC

| | | | |
|--------------------|--|-------|--------------------------|
| Monthly Base Rate | | 77.00 | <i>Per Connection</i> |
| Usage (in gallons) | | | |
| Zero to 5,000 | | 2.75 | <i>Per 1,000 Gallons</i> |
| 5,001 to 30,000 | | 4.50 | <i>Per 1,000 Gallons</i> |
| 30,001 to 40,000 | | 8.00 | <i>Per 1,000 Gallons</i> |
| 40,001 to 60,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| 60,001 to 80,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| 80,001 to 100,000 | | 12.00 | <i>Per 1,000 Gallons</i> |
| Above 100,000 | | 12.00 | <i>Per 1,000 Gallons</i> |

Water Rates (continued)

| | Amount | |
|--|------------|--------------------------------------|
| Culinary Irrigation - Per ERC | | |
| Monthly Base Rate | \$ 60.00 | <i>Per Connection</i> |
| Usage (in gallons) | | |
| Zero to 5,000 | 2.75 | <i>Per 1,000 Gallons</i> |
| 5,001 to 30,000 | 4.50 | <i>Per 1,000 Gallons</i> |
| 30,001 to 40,000 | 8.00 | <i>Per 1,000 Gallons</i> |
| 40,001 to 60,000 | 12.00 | <i>Per 1,000 Gallons</i> |
| 60,001 to 80,000 | 15.00 | <i>Per 1,000 Gallons</i> |
| 80,001 to 100,000 | 18.00 | <i>Per 1,000 Gallons</i> |
| Above 100,000 | 21.00 | <i>Per 1,000 Gallons</i> |
| Common Wall Irrigation | | |
| Rate Multiplier | # of Units | |
| Monthly Base Rate | - | <i>Per Unit</i> |
| Usage (in gallons) | | |
| Zero to 3,000 | 1.23 | <i>Per 1,000 Gallons</i> |
| 3,001 to 11,000 | 4.31 | <i>Per 1,000 Gallons</i> |
| 11,001 to 27,000 | 4.92 | <i>Per 1,000 Gallons</i> |
| 27,001 to 47,000 | 5.54 | <i>Per 1,000 Gallons</i> |
| 47,001 to 87,000 | 6.15 | <i>Per 1,000 Gallons</i> |
| 87,001 to 147,000 | 9.85 | <i>Per 1,000 Gallons</i> |
| 147,001 to 227,000 | 14.77 | <i>Per 1,000 Gallons</i> |
| Above 227,000 | 19.69 | <i>Per 1,000 Gallons</i> |
| Interruptible Sources (Construction/Snowmaking/Wholesale) | | |
| Monthly Base Rate | 120.00 | <i>Per Connection</i> |
| Usage | 13.00 | <i>Per 1,000 Gallons</i> |
| Pumping Surcharge | | |
| Colony | 3.17 | <i>Per 1,000 Gallons</i> |
| Discovery | 0.78 | <i>Per 1,000 Gallons</i> |
| Glenwild | 0.63 | <i>Per 1,000 Gallons</i> |
| Preserve | 3.07 | <i>Per 1,000 Gallons</i> |
| Redhawk | 3.07 | <i>Per 1,000 Gallons</i> |
| Stagecoach | 3.07 | <i>Per 1,000 Gallons</i> |
| Summit Park | 0.78 | <i>Per 1,000 Gallons</i> |
| Sun Peak | 1.18 | <i>Per 1,000 Gallons</i> |
| Timberline | 0.78 | <i>Per 1,000 Gallons</i> |
| Weilenmann | 0.78 | <i>Per 1,000 Gallons</i> |
| <i>Applies to all water rates. Newly annexed areas will be assigned to the most appropriate pumping surcharge based upon the location of that development.</i> | | |
| Olympic Park | | |
| Monthly Base Rate | 120.00 | |
| Usage (includes Sun Peak Pumping Surcharge) | 5.13 | <i>Per 1,000 Gallons</i> |
| Untreated Secondary Water | | |
| Per Contract | | |
| Stagecoach | | |
| Monthly Infrastructure Assessment | 143.00 | <i>Per Lot</i> |
| Standby Fees | | |
| Monthly Charge | 38.50 | <i>Per Lot or Prepaid Connection</i> |

H. Operating Fees

In addition to water usage charges, new connections within the District are assessed connection and meter fees, as shown below. The District generally collects these fees at the time a building permit is issued.

The District also collects fees related to fire hydrant rentals, inspections, delinquent payments, theft of service, and conservation violations.

| <u>Operating Fees</u> | Amount | |
|------------------------------------|--|-----------------------|
| Buried Meter Service Fee | <i>Peak Monthly Gallons for Previous Year at Current Rates Per Month</i> | Per Connection |
| Connection Fee - Meter/MXU | | Per Connection |
| Security Deposit (Refundable) | \$ 1,500 | |
| Up to 3/4" Meter | 1,800 | |
| 1.0" Meter | 2,000 | |
| 1.5" Meter | 2,400 | |
| 2.0" Meter | 2,700 | |
| 3.0" Meter | \$2,700 plus Incremental Meter Cost | |
| 4.0" Meter | | |
| 6.0" Meter | | |
| 8.0" Meter | | |
| Summit Park Lateral Fee | 1,700 | <i>Per Connection</i> |
| Delinquent Accounts | | |
| Delinquent Lien Fee | 50 | <i>Per Occurrence</i> |
| Shutoff Notice | 30 | <i>Per Occurrence</i> |
| Late Charge | 1.50% | <i>Monthly Charge</i> |
| Water Shutoff | 100 | <i>Per Occurrence</i> |
| Disconnection of Service | | |
| Removal of Meter | 250 | <i>Per Occurrence</i> |
| Resumption of Disconnected Service | <i>8 time Monthly Base</i> | <i>Per Occurrence</i> |

Operating Fees (continued)

| | Amount | |
|---|--|---|
| Fire Hydrant Rental | | |
| 3" Meter - Deposit (Refundable) | \$ 1,500 | <i>Per Connection</i> |
| 3" Meter Wear Fee (Non-Refundable) | 350 | |
| 3" Monthly Base Rate | 120 | |
| 3" Usage Rate | 13 | <i>Per 1,000 Gallons</i> |
| | | |
| 1" Meter - Deposit (Refundable) | 500 | <i>Per Connection</i> |
| 1" Meter Wear Fee (Non-Refundable) | 125 | |
| 1" Monthly Base Rate | 60 | |
| 1" Usage Rate | 13 | <i>Per 1,000 Gallons</i> |
| | | |
| On-Site Visit (formerly inspection fee) | 100 | <i>Per Occurrence</i> |
| | | |
| Private Fire Hydrant Meter Flushing & Inspection Fee | | <i>Per Lot with Private Hydrant</i> |
| Monthly Ongoing Fee | 10 | |
| | | |
| Resumption of Service Fee | 100 | <i>Per Occurrence</i> |
| | | |
| Title Transfer Fee | 100 | <i>Per Occurrence</i> |
| | | |
| Alternate Water Service Provider | 4,700 | <i>Per ERC Under Contractual Commitment with MRW Who Switches to Another Provider</i> |
| | | |
| Conservation Violations | | |
| 1st Violation | <i>Warning</i> | <i>Per Violation</i> |
| 2nd Violation | 50 | |
| 3rd Violation | 100 | |
| 4th Violation | 500 | |
| | | |
| Leaking Water | <i>Credit for estimated water leaked between one meter read, less cost of water production</i> | <i>Per Occurrence</i> |
| | | |
| Release of Restrictive Covenant | <i>Assess all back fees and charges, plus 1.5% annual interest</i> | <i>Per Lot</i> |
| | | |
| Theft of Service | 1,000 | <i>Per Occurrence</i> |

Lot owners in the mountainous Summit Park service area have the option of designating their lot as non-developable by declaring a restrictive covenant. However, if in the future, a lot owner decides to build on the lot, the owner is assessed a Release of Restrictive Covenant fee that includes all fees and charges avoided during the period the covenant was in place, plus interest.

The District assesses an Alternative Provider Fee to users who are contractually committed to receive water from the District, but choose to change water providers. The imposition of such a fee helps to ensure the Net Revenues available to pay debt service will not decrease if such customers choose another water provider.

I. Impact Fees

The District assesses impact fees on new development at the time a building permit is issued so that existing customers are not burdened with the cost of new infrastructure for which they receive no benefit. Pursuant to state law, the impact fees include only the proportionate cost of infrastructure and water rights necessary to serve each new building unit. The impact fees do not include any administrative or overhead costs.

There are two service areas for residential impact fee purposes. The fee for the General Service Area is shown below.

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

| Square Feet of Livable Space | (2) Base Impact Fee | Additional Impact Fee per Square Foot of Livable Space | Additional Impact Fee per 0.10 Acres of Irrigated Landscaped Area Beyond the Base Allowance of 0.20 Acre Feet |
|------------------------------|---------------------|--|---|
| - to 3,000 | (3) \$ 10,513 | | |
| 3,000 to 4,000 | 10,513 | plus \$ 3.15 per additional square foot above 3,000 | |
| 4,000 to 5,000 | 13,662 | plus 3.15 per additional square foot above 4,000 | |
| 5,000 to 6,000 | 16,812 | plus 3.15 per additional square foot above 5,000 | |
| 6,000 to 7,000 | 19,962 | plus 3.15 per additional square foot above 6,000 | |
| 7,000 to 8,000 | 23,113 | plus 3.15 per additional square foot above 7,000 | |
| 8,000 to 10,000 | (4) 26,263 | plus 3.15 per additional square foot above 8,000 | plus \$4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| 10,000 to 12,000 | 32,564 | plus 3.15 per additional square foot above 10,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| 12,000 to 14,000 | 38,864 | plus 3.15 per additional square foot above 12,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| 14,000 to 16,000 | 45,165 | plus 3.15 per additional square foot above 14,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| 16,000 to 18,000 | 51,466 | plus 3.15 per additional square foot above 16,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| 18,000 to 20,000 | 57,766 | plus 3.15 per additional square foot above 18,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |
| Above 20,000 | 64,067 | plus 3.15 per additional square foot above 20,000 | plus 4,031 per 0.10 acre foot of landscaping above 0.20 acre feet |

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

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

(3) - The base impact fee for all homes with livable space up to 3,000 square feet is the same at \$10,513.

(4) - Only homes with 8,000 or more square feet of livable space are assessed an additional impact fee for outdoor watering. The first 0.20 acre feet (8,712 square feet) of irrigated landscaped area is not assessed the additional fee. Any irrigated landscaped area larger than 0.20 acres is assessed \$4,031 per 0.10 additional acre feet (4,356 square feet) beyond the 0.20 acres.

The impact fee for non-residential use in the General Service Area is \$17,522 per acre foot. The usage for the impact calculation is based upon standards developed by the State of Utah Division of Drinking Water. For non-residential uses not included in these standards, a licensed engineer or licensed architect must prepare projected usage for review and approval by the District.

For non-residential usage included in the Drinking Water standards, the lot owner may appeal the standards by obtaining estimated usage calculated by a licensed engineer or licensed architect. The District then reviews these estimates, after which the District can accept the new estimates provided by the lot owner, or follow the Drinking Water standards.

The second impact fee service area is for the Promontory development. The impact fee for residents in the Promontory Service Area is \$2,466 regardless of home size or the amount of watered landscaping. The Promontory impact fee is much lower than the General Service Area fee because most of the infrastructure used to serve Promontory was funded from special assessments on each residential lot in Promontory.

For non-residential use, the Promontory Service Area impact fee is \$4,110 per acre foot. The same Drinking Water standards and appeal process mentioned above for the General Service Area also apply to the Promontory Service Area.

J. Other Development Fees

Developers are responsible for engineering, inspection, plan reviews, legal fees and other costs associated with their development.

As such, developers are assessed an inspection fee based upon 3.0% of the projected water infrastructure costs.

5. FINANCIAL INFORMATION

A. Statement of Net Position

**Mountain Regional Water
Statement of Net Position**

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 1,845,642 | \$ 3,048,693 | \$ 3,511,585 | \$ 3,746,227 | \$ 4,775,395 |
| Restricted cash and cash equivalents | 1,005,889 | 1,466,951 | 2,074,492 | 10,399,530 | 6,387,614 |
| Accounts receivable | 417,442 | 445,390 | 562,990 | 494,329 | 587,712 |
| Due from other governmental entities | - | 70,996 | 28,000 | 28,000 | 2,310 |
| Other receivables | 114,088 | 297,545 | 65,562 | - | 188,338 |
| Prepaid expenses | 1,351,687 | 1,129,927 | 1,033,890 | 1,037,405 | 1,085,059 |
| Inventories | 74,253 | 115,838 | 97,262 | 102,705 | 147,871 |
| Total current assets | <u>4,809,001</u> | <u>6,575,340</u> | <u>7,373,781</u> | <u>15,808,196</u> | <u>13,174,299</u> |
| Cash Restricted for Debt Repayments | <u>592,710</u> | <u>716,458</u> | <u>544,338</u> | <u>513,640</u> | <u>671,739</u> |
| Net Pension Asset | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,350</u> |
| Capital Assets: | | | | | |
| Depreciable assets, net | 57,942,449 | 56,909,173 | 57,305,339 | 57,949,744 | 57,743,581 |
| Land and water rights | 19,591,043 | 19,577,263 | 19,821,463 | 20,361,463 | 20,360,836 |
| Construction-in-progress | 40,981 | 984,355 | 380,270 | 42,567 | 5,018,746 |
| Total assets | <u>82,976,184</u> | <u>84,762,589</u> | <u>85,425,191</u> | <u>94,675,610</u> | <u>96,970,551</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | | |
| Loss on bond refunding | - | 1,795,270 | 1,709,441 | 1,623,612 | 1,537,782 |
| Pension outflows | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>319,152</u> |
| Total deferred outflow of resources | <u>-</u> | <u>1,795,270</u> | <u>1,709,441</u> | <u>1,623,612</u> | <u>1,856,934</u> |
| TOTAL ASSETS & DEFERRED OUTFLOWS | | | | | |
| | <u>\$ 82,976,184</u> | <u>\$ 86,557,859</u> | <u>\$ 87,134,632</u> | <u>\$ 96,299,222</u> | <u>\$ 98,827,485</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 128,824 | \$ 296,516 | \$ 260,912 | \$ 136,471 | \$ 729,234 |
| Accrued liabilities | 579,609 | 615,621 | 679,192 | 791,729 | 804,640 |
| Due to other government entities | 98,803 | 374,110 | 420,480 | 105,031 | 186,591 |
| Current portion, capital lease | - | - | - | 11,850 | 12,197 |
| Current portion, accrued liability - impact fee refunds | 50,000 | 50,000 | 179,198 | 300,920 | 216,971 |
| Current portion, long-term debt | <u>222,783</u> | <u>1,256,823</u> | <u>1,880,436</u> | <u>1,864,215</u> | <u>2,202,273</u> |
| Total current liabilities | 1,080,019 | 2,593,070 | 3,420,218 | 3,210,216 | 4,151,906 |
| Capital lease (less current portion) | - | - | - | 298,150 | 285,953 |
| Accrued liabilities - developers (less current portion) | 1,504,255 | 1,504,255 | 1,396,368 | 1,234,316 | 1,270,837 |
| Net pension liability | - | - | - | - | 709,392 |
| Long-term debt (less current portion) | <u>42,001,380</u> | <u>44,320,556</u> | <u>42,717,244</u> | <u>48,886,360</u> | <u>46,496,784</u> |
| Total liabilities | <u>44,585,654</u> | <u>48,417,881</u> | <u>47,533,830</u> | <u>53,629,042</u> | <u>52,914,872</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Gain on bond refunding | - | - | - | 746,526 | 707,063 |
| Pension inflows | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>92,415</u> |
| Total deferred inflow of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>746,526</u> | <u>799,478</u> |
| NET POSITION | | | | | |
| Invested in capital assets, net of related debt | \$ 35,350,310 | \$ 33,688,682 | \$ 34,618,833 | \$ 36,310,285 | \$ 38,785,794 |
| Restricted | 1,228,675 | 1,321,878 | 1,467,991 | 1,847,438 | 2,613,012 |
| Unrestricted | <u>1,811,545</u> | <u>3,129,418</u> | <u>3,513,978</u> | <u>3,765,931</u> | <u>3,714,329</u> |
| Net position | <u>38,390,530</u> | <u>38,139,978</u> | <u>39,600,802</u> | <u>41,923,654</u> | <u>45,113,135</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION | | | | | |
| | <u>\$ 82,976,184</u> | <u>\$ 86,557,859</u> | <u>\$ 87,134,632</u> | <u>\$ 96,299,222</u> | <u>\$ 98,827,485</u> |

B. Statement of Revenues, Expenses, and Changes in Net Position

Mountain Regional Water Statement of Revenues, Expenses and Changes in Net Position

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating revenues: | | | | | |
| Water sales | \$ 5,297,520 | \$ 6,873,147 | \$ 6,884,945 | \$ 6,812,829 | \$ 7,571,009 |
| Operation fees | 151,616 | 153,805 | 259,851 | 350,920 | 421,448 |
| Other | 48,279 | 236,222 | 69,330 | 52,913 | 75,038 |
| Total operating revenue | <u>5,497,415</u> | <u>7,263,174</u> | <u>7,214,126</u> | <u>7,216,662</u> | <u>8,067,495</u> |
| Operating Expenses: | | | | | |
| Operations, maintenance and repairs | 1,536,954 | 1,788,964 | 1,870,797 | 1,993,860 | 1,939,408 |
| Water production | 1,163,162 | 1,728,576 | 1,527,502 | 1,533,912 | 1,770,336 |
| Engineering and energy and technology management | 380,717 | 415,846 | 423,200 | 440,263 | 551,055 |
| Management and finance | 614,292 | 568,164 | 642,462 | 727,298 | 677,152 |
| Legal services | 18,180 | 4,805 | 30,254 | 45,499 | 24,560 |
| Pension Expense | - | - | - | - | 177,043 |
| Depreciation | 1,359,634 | 1,412,111 | 1,374,783 | 1,429,555 | 1,465,973 |
| Total operating expenses | <u>5,072,939</u> | <u>5,918,466</u> | <u>5,868,998</u> | <u>6,170,387</u> | <u>6,605,527</u> |
| Operating income (loss) | \$ 424,476 | \$ 1,344,708 | \$ 1,345,128 | \$ 1,046,275 | \$ 1,461,968 |
| Non-operating revenues (expenses) | | | | | |
| Grants | \$ 11,667 | \$ 11,667 | \$ 47,648 | \$ 11,667 | \$ 16,704 |
| Interest income | 153,164 | 102,676 | 26,789 | 30,082 | 80,958 |
| Impact fees | 242,285 | 196,067 | 563,385 | 625,850 | 1,254,502 |
| Special Improvement District assessments | 453,020 | 499,397 | 794,375 | 1,575,816 | 1,730,632 |
| Gain (loss) on sale of capital assets | 3,398 | 16,952 | (16,776) | 9,138 | 144,008 |
| Other non-operating revenue | 1,725 | 5,612 | 2,996 | 86,157 | 107,168 |
| Interest expense | (1,840,764) | (1,645,016) | (1,527,500) | (1,441,191) | (1,624,034) |
| Trustee and bank fees | (49,576) | (44,520) | (46,220) | (44,300) | (43,730) |
| Bond insurance cost amortization | (27,523) | (11,957) | (17,414) | (14,965) | (15,734) |
| Bond issuance costs | (18,743) | (1,095,815) | - | (180,067) | - |
| Total non-operating revenues (expenses), net | <u>(1,071,347)</u> | <u>(1,964,937)</u> | <u>(172,717)</u> | <u>658,187</u> | <u>1,650,474</u> |
| Income (loss) before operating transfers | \$ (646,871) | \$ (620,229) | \$ 1,172,411 | \$ 1,704,462 | \$ 3,112,442 |
| Contributions-in-aid of construction | \$ 2,075,743 | \$ 369,677 | \$ 288,413 | \$ 618,390 | \$ 766,136 |
| Operating transfers from (to) other governments | - | - | - | - | (82,345) |
| Change in net position | \$ 1,428,872 | \$ (250,552) | \$ 1,460,824 | \$ 2,322,852 | \$ 3,796,233 |
| Net position, beginning of year ⁽¹⁾ | <u>36,961,658</u> | <u>38,390,530</u> | <u>38,139,978</u> | <u>39,600,802</u> | <u>41,316,902</u> |
| Net position, end of year | \$ 38,390,530 | \$ 38,139,978 | \$ 39,600,802 | \$ 41,923,654 | \$ 45,113,135 |

(1) - Beginning net position at January 1, 2015 was restated to retroactively report the changes in pension reporting due to the them implementation of GASB Statement No. 68.

6. DEBT STRUCTURE

A. Parity Debt

**Mountain Regional Water Special Service District
Outstanding Parity Debt
June 28, 2016**

| <u>Series</u> | <u>Purpose</u> | <u>Original Issue Amount</u> | <u>Maturity Date</u> | <u>Principal Outstanding</u> |
|----------------------|-----------------|----------------------------------|--------------------------|----------------------------------|
| Bonds | | | | |
| 2008 ⁽¹⁾ | Direct Purchase | 3,026,000 | 2029 | 2,100,000 |
| 2009B ⁽²⁾ | Public Issue | 9,045,000 | 2018 | 4,610,000 |
| 2011A ⁽³⁾ | Direct Purchase | 679,000 | 2031 | 581,000 |
| 2011B ⁽⁴⁾ | Direct Purchase | 1,278,000 | 2032 | 1,049,000 |
| 2012 ⁽⁵⁾ | Public Issue | 27,270,000 | 2033 | 27,270,000 |
| 2014 ⁽⁶⁾ | Public Issue | 8,140,000 | 2034 | 8,140,000 |
| Total | | <u>\$ 49,438,000</u> | | <u>\$ 43,750,000</u> |

(1) - Purchased by State Drinking Water Board at a 2.0% interest rate.

(2) - Rated A+ by Fitch and AA (AGM Insured; underlying A+) by S&P. This bond issue is insured by AGM.

(3) - Purchased by State Drinking Water Board at a 1.5% interest rate. This bond is issued as a federally taxable bond.

(4) - Purchased by State Drinking Water Board at a 0% interest rate. This bond is issued as a federally taxable bond.

(5) - Rated A+ by Fitch and AA (AGM Insured; underlying A+) by S&P. This bond issue is insured by AGM.

(6) - Rated A+ by Fitch and AA (AGM Insured; underlying A+) by S&P. This bond issue is insured by AGM.

The annual debt service for each of the parity bonds for each issue is shown on the following page.

**Mountain Regional Water
Parity Debt Service Schedule
Fiscal Year 2015**

| Calendar Year | Series 2008 | | Series 2009B | | Series 2011A | | Series 2011B | | Series 2012 | | Series 2014 | | Total Parity Debt | | |
|---------------|--------------------|-------------------|---------------------|-------------------|------------------|------------------|---------------------|----------------------|---------------------|---------------------|----------------------|---------------------|----------------------|-----------|-----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2015 | 137,000 | 47,540 | 1,550,000 | 206,788 | 34,000 | 9,865 | 55,000 | 1,111,400 | - | 311,941 | 1,776,000 | 1,687,534 | 1,776,000 | 1,687,534 | 3,463,534 |
| 2016 | 140,000 | 44,800 | 1,625,000 | 157,288 | 34,000 | 9,348 | 66,000 | 1,111,400 | - | 314,562 | 2,110,000 | 1,637,398 | 2,110,000 | 1,637,398 | 3,747,398 |
| 2017 | 143,000 | 42,000 | 1,875,000 | 104,475 | 35,000 | 8,831 | 66,000 | 1,111,400 | - | 309,662 | 2,119,000 | 1,576,368 | 2,119,000 | 1,576,368 | 3,695,368 |
| 2018 | 146,000 | 39,140 | 1,110,000 | 38,850 | 35,000 | 8,299 | 66,000 | 1,111,400 | 200,000 | 309,663 | 1,807,000 | 1,507,352 | 1,807,000 | 1,507,352 | 3,314,352 |
| 2019 | 149,000 | 36,220 | | | 36,000 | 7,767 | 66,000 | 1,107,400 | 1,355,000 | 304,662 | 1,861,000 | 1,456,049 | 1,861,000 | 1,456,049 | 3,317,049 |
| 2020 | 152,000 | 33,240 | | | 36,000 | 7,220 | 65,000 | 1,053,200 | 1,410,000 | 299,563 | 1,228,000 | 1,393,223 | 1,228,000 | 1,393,223 | 3,521,223 |
| 2021 | 155,000 | 30,200 | | | 37,000 | 6,673 | 66,000 | 996,800 | 1,465,000 | 290,262 | 2,198,000 | 1,323,935 | 2,198,000 | 1,323,935 | 3,521,935 |
| 2022 | 158,000 | 27,100 | | | 38,000 | 6,110 | 65,000 | 938,200 | 1,520,000 | 276,013 | 2,266,000 | 1,247,423 | 2,266,000 | 1,247,423 | 3,513,423 |
| 2023 | 161,000 | 23,940 | | | 38,000 | 5,533 | 66,000 | 877,400 | 1,585,000 | 261,462 | 2,355,000 | 1,168,335 | 2,355,000 | 1,168,335 | 3,523,335 |
| 2024 | 164,000 | 20,720 | | | 39,000 | 4,955 | 65,000 | 814,000 | 1,645,000 | 241,263 | 2,433,000 | 1,080,938 | 2,433,000 | 1,080,938 | 3,513,938 |
| 2025 | 168,000 | 17,440 | | | 39,000 | 4,362 | 66,000 | 748,200 | 1,710,000 | 220,463 | 2,523,000 | 990,465 | 2,523,000 | 990,465 | 3,513,465 |
| 2026 | 171,000 | 14,080 | | | 40,000 | 3,770 | 65,000 | 679,800 | 1,780,000 | 198,862 | 2,621,000 | 896,512 | 2,621,000 | 896,512 | 3,517,512 |
| 2027 | 174,000 | 10,660 | | | 40,000 | 3,162 | 66,000 | 608,600 | 1,850,000 | 176,263 | 2,715,000 | 798,685 | 2,715,000 | 798,685 | 3,513,685 |
| 2028 | 178,000 | 7,180 | | | 41,000 | 2,554 | 65,000 | 534,600 | 1,925,000 | 151,400 | 2,819,000 | 695,734 | 2,819,000 | 695,734 | 3,514,734 |
| 2029 | 181,000 | 3,620 | | | 42,000 | 1,930 | 66,000 | 457,600 | 2,005,000 | 125,475 | 2,934,000 | 588,625 | 2,934,000 | 588,625 | 3,522,625 |
| 2030 | | | | | 42,000 | 1,292 | 65,000 | 377,400 | 2,085,000 | 96,675 | 2,857,000 | 475,367 | 2,857,000 | 475,367 | 3,332,367 |
| 2031 | | | | | 43,000 | 654 | 66,000 | 304,425 | 2,155,000 | 66,750 | 2,574,000 | 371,829 | 2,574,000 | 371,829 | 2,945,829 |
| 2032 | | | | | | | 65,000 | 229,000 | 2,230,000 | 51,250 | 2,620,000 | 280,250 | 2,620,000 | 280,250 | 2,900,250 |
| 2033 | | | | | | | | 117,500 | 2,350,000 | 35,000 | 2,690,000 | 152,500 | 2,690,000 | 152,500 | 2,842,500 |
| 2034 | | | | | | | | | | 18,000 | 360,000 | 18,000 | 360,000 | 18,000 | 378,000 |
| Total | \$2,377,000 | \$ 397,880 | \$ 6,160,000 | \$ 507,401 | \$649,000 | \$ 92,325 | \$ 1,170,000 | \$ 14,289,725 | \$27,270,000 | \$ 4,059,191 | \$ 45,766,000 | \$19,346,522 | \$ 65,112,522 | | |

B. Subordinated Debt

The District's outstanding subordinated debt is shown below.

Mountain Regional Water Special Service District Outstanding Subordinated Debt June 28, 2016

| Series | Purpose | Original Issue Amount | Maturity Date | Principal Outstanding |
|---|----------------|--------------------------|------------------|--------------------------|
| Notes Payable | | | | |
| Zions Land Purchase Agreement | Property | \$ 310,000 | 2034 | \$ 292,095 |
| Weber Basin Water Conservancy District ⁽²⁾ | Infrastructure | 2,033,436 | 2029 | 1,589,733 |
| | | <u>\$ 2,343,436</u> | | <u>\$ 1,881,828</u> |

(1) - The District entered into a capital lease with Zions National Bank in 2014 to acquire land. The principal components for years 2014 to 2024 bear interest at a 2.90% per annum. The principal components for all years after 2024 bears an initial interest rate of 2.25% per annum until August 1, 2024; after which the rate will adjust on August 1, 2024 and again on August 1, 2029. The adjusted rate shall be 20 basis points plus the 5 year Advanced Fixed Rate quoted by the Seattle Federal Home Bank.

(2) - Purchased by Weber Basin at an annual interest rate of 4.6%.

The annual debt service for the subordinated debt is shown below.

Mountain Regional Water Subordinated Debt Service Schedule Fiscal Year 2015

| Calendar Year | 2009 Weber Basin | | 2014 Zions Property Lease | | Total Subordinated Debt | | |
|------------------|---------------------|-------------------|---------------------------|------------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2015 | 88,215 | 81,065 | 11,850 | 7,726 | 100,065 | 88,791 | 188,856 |
| 2016 | 92,273 | 77,186 | 12,197 | 7,379 | 104,470 | 84,565 | 189,035 |
| 2017 | 96,518 | 73,128 | 12,553 | 7,023 | 109,071 | 80,151 | 189,222 |
| 2018 | 100,958 | 68,883 | 12,919 | 6,657 | 113,877 | 75,540 | 189,417 |
| 2019 | 105,602 | 64,443 | 13,296 | 6,279 | 118,898 | 70,722 | 189,620 |
| 2020 | 110,459 | 59,799 | 13,685 | 5,891 | 124,144 | 65,690 | 189,835 |
| 2021 | 115,541 | 54,942 | 14,085 | 5,491 | 129,626 | 60,433 | 190,058 |
| 2022 | 120,855 | 49,860 | 14,496 | 5,080 | 135,351 | 54,940 | 190,292 |
| 2023 | 126,415 | 44,546 | 14,920 | 4,656 | 141,335 | 49,202 | 190,536 |
| 2024 | 132,230 | 38,986 | 15,355 | 4,221 | 147,585 | 43,207 | 190,792 |
| 2025 | 138,312 | 33,171 | 15,777 | 3,799 | 154,089 | 36,970 | 191,060 |
| 2026 | 144,675 | 27,089 | 16,131 | 3,446 | 160,806 | 30,535 | 191,340 |
| 2027 | 151,330 | 20,726 | 16,491 | 3,085 | 167,821 | 23,811 | 191,632 |
| 2028 | 154,564 | 14,071 | 16,861 | 2,715 | 171,425 | 16,786 | 188,211 |
| 2029 | - | 7,110 | 17,237 | 2,339 | 17,237 | 9,449 | 26,686 |
| 2030 | | | 17,623 | 1,953 | 17,623 | 1,953 | 19,576 |
| 2031 | | | 18,017 | 1,558 | 18,017 | 1,558 | 19,575 |
| 2032 | | | 18,421 | 1,156 | 18,421 | 1,156 | 19,577 |
| 2033 | | | 18,832 | 743 | 18,832 | 743 | 19,575 |
| 2034 | | | 19,254 | 322 | 19,254 | 322 | 19,576 |
| Total | \$ 1,677,947 | \$ 715,004 | \$ 310,000 | \$ 81,519 | \$ 1,987,948 | \$ 796,524 | \$ 2,784,472 |

C. Future Financing Needs

The District anticipates it will finance future capital project needs over the next few years through the capital budgeting process, excess System revenues or State subsidized loans. However, it is anticipated that no state loans will be needed over the next few years; unless a state loan is necessary to facilitate the annexation of an existing water entity into the District, if that entity has water system deficiencies.

7. NO DEFAULTED OBLIGATIONS

The District has never failed to pay principal or interest on any of its financial obligations by the due date.

8. APPENDIX A – FISCAL YEAR 2015 AND 2014 AUDITED FINANCIAL STATEMENTS

The audited financial statements for Fiscal Year 2015 and 2014 are attached to this supplemental disclosure.