



Financial Statements
December 31, 2015 and 2014

**Mountain Regional Water Special
Service District**
A Component Unit of Summit County, Utah

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
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December 31, 2015 and 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mountain Regional Water Special Service District (a component unit of Summit County), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Mountain Regional Water Special Service District as of December 31, 2015 and 2014, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Notes 1 and 12 to the financial statements, the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-23, schedule of the proportionate share of the net pension liability on page 47 and schedule of contributions on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016 on our consideration of Mountain Regional Water Special Service 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 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 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 Mountain Regional Water Special Service District's internal control over financial reporting and compliance.



Ogden, Utah
May 12, 2016

Overview of Basic Financial Statements

This section of the Mountain Regional Water Special Service District, a component unit of Summit County, (District) report serves as an introduction to its basic financial statements for the years ended December 31, 2015 and 2014 and presents management's discussion and analysis of its financial condition.

Please read this in conjunction with the District's basic financial statements, which follow this section. The financial statements comprise three components: 1) its enterprise fund financial statements, 2) notes to the basic financial statements, and 3) required supplemental information. These statements include all District activities.

The balances for 2014 and 2013 were not restated for GASB 68 in accordance with the standard.

Component Unit Financial Statements

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 costs of providing goods and services be financed or recovered primarily through user charges. The District is financed primarily through water sales, service fees, and impact fees. It does not impose any taxes.

Notes to Financial Statements

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

District Background

The District was created in 2000 by the Summit County Commission (now Council) to regionalize water service in the Snyderville Basin by consolidating several water companies. Since 2000 several new developments have annexed into the District, including the Promontory golf course and Colony mountain developments near Park City. The District now covers 39.3 square miles.

The District maintains a centralized, regional water system currently serving 3,360 customers using water. Based upon actual usage; however, the District provided water for 7,758 Equivalent Residential Connections (ERCs) in 2015 when two golf courses and wholesale sales to other water companies are included.

In addition 1,882 undeveloped lots exist within the District that have a water system installed in a ready-to-serve state for which a standby fee is assessed.

The area served by the District has two world-renowned ski resorts within five miles of each other: Park City and Deer Valley. The Sundance Film Festival is held in the area each winter.

Summer activity is growing - including arts festivals, concerts, sporting events, and a variety of other activities. There are several upscale gated communities served by the District, two of which have golf courses.

Financial Summary

Change in Net Position and Cash Position

The District realized a \$3.80 million change in net position (net income) for 2015. After making adjustments for non-budget year-end journal entries, the District's change in net position exceeded budget by nearly \$1.57 million. District revenue exceeded budget by \$1.29 million as development related collections increased significantly compared to the past several years.

Excluding bond proceeds restricted for construction projects, District cash increased \$2.01 million during 2015. Further year-end 2015 operating cash and reserves amounted to 213 days reserves, based upon annual cash operating expenditures. For 2014, the District held 191 days reserves at year-end. District policy requires a minimum 120 days reserves throughout the entire year. The 213 day balance at year-end 2015 should be sufficient to maintain the 120 day policy minimum throughout 2016.

The District attempts to finish each year with a minimum \$500,000 balance in capital facility repair & replacement funds. The year-end 2015 balance was \$589,672.

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

Implementation of Governmental Accounting Standards Board (GASB) #68 and #71

In 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

In short, these pronouncements require the District to report on its financial statements any actuarially determined pension assets, unfunded pension liabilities, and pension related deferred inflows and outflows. For 2015, the reported liability is \$709,392 and the reported assets are \$1,350.

In addition, these GASB pronouncements required the District to report the actuarially determined pension expense of \$177,043 on the 2015 financial statements rather than the actual \$303,014 in contributions to the pension plan. Moving forward, the use of actuarial pension expense rather than actual contributions could lead to wide swings in the annual change in net position.

For 2015, a one-time \$606,752 reduction in unrestricted net position was made, effective January 1, 2015 to account for the new pension reporting requirements under GASB.

Regionalization Reserve Fund Established

The District entered into a water regionalization agreement in 2013 among the three largest retail water entities in the Snyderville Basin and Weber Basin Water Conservation District. The intent of the agreement is to consolidate future water importation projects into the basin to create economies of scale.

Under the terms of this agreement, the District will start paying Weber Basin a \$200,000 annual regionalization fee in 2020. At that time, the District will also start paying an additional \$45,000 per year in new Davis Weber Canal Company water lease fees.

Mountain Regional Water Special Service District
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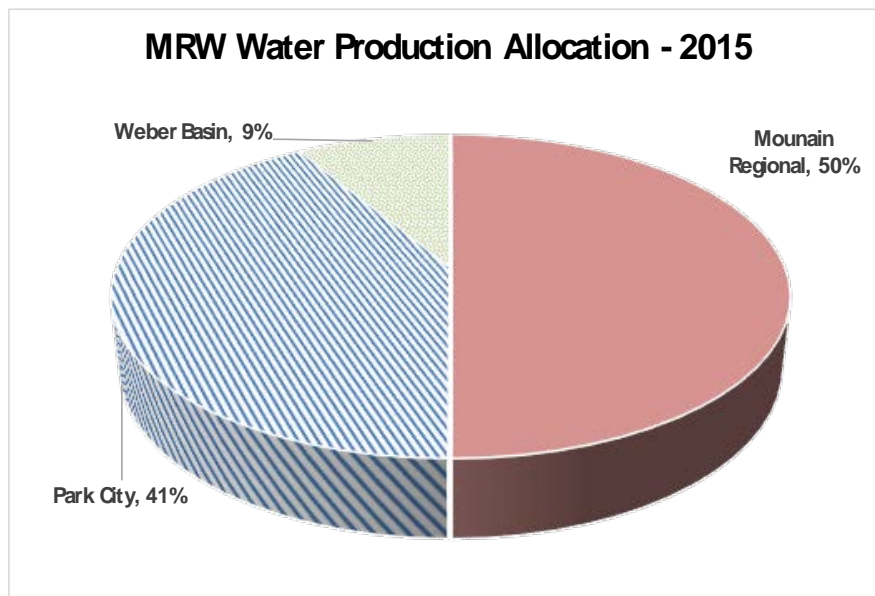
Under this agreement, the District is now selling its surplus water to Weber Basin, who is then selling it to other water entities in the basin. This will continue until the District runs out of surplus water and a new importation project is constructed – which could be in the next five to ten years.

The District generated \$367,200 of revenue from Weber Basin in 2015 and will generate between \$650,000 and \$900,000 per year moving forward - until such time as the new project is completed. The net cash benefit is estimated to be about 30% of the revenue generated.

As such, the District created a regionalization reserve fund in 2015 into which this net cash benefit will be deposited each year. It is anticipated these reserves will be used to prepay long-term debt due between 2020 and 2024 to help offset the \$245,000 in additional annual costs related to the regionalization agreement that begin in 2020. At year-end 2015, the District held \$382,126 in this fund.

Wholesale Water Sales Now Account for 50% of District Production

One-half of the District's 2015 water production was provided to other water entities (Park City and Weber Basin); while the other half was provided to District retail customers, as shown below.



In fact, of the total 4,321 acre feet of water produced, 378 acre feet was sold to Weber Basin as part of the regionalization agreement discussed above. In addition, 1,781 acre feet was wheeled to Park City as part of an agreement between the District and Park City. Meanwhile, District customers used 2,162 acre feet in 2015.

Prior to 2015, the quantity of water provided to District retail customers always easily exceeded the quantity of wholesale water provided to other water entities.

It is anticipated that wholesale water sales as a percent of total production will increase moving forward, as Weber Basin has committed to purchase 700 acre feet in 2016, compared to 400 acre feet in 2015.

Financial Policies and Controls

Financial Planning

The District updates its five year financial plan during each budget cycle to identify financial issues before they become problems. Along with the rate stabilization reserves, this helps stabilize rates and charges despite fluctuations in building related revenue and the impact of weather on water sales. This analysis shows the next rate increase will be needed in 2019.

In addition, the District recently updated its capital facilities plans and adjusted the related impact fees. The District anticipates updating this capital facilities plan every five years.

Budgeting

The District utilizes zero-based budgeting in order to fund programs based upon current needs and priorities. District management and the Control Board review budgets and revenue projections monthly, and more often near year-end. The District has demonstrated the ability to make expenditure cuts when necessary due to revenue shortfalls.

Rate Stabilization Fund

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

Debt Service Sub Fund

District policy is to maintain at least \$1.0 million in the Debt Service Sub Fund. The balance can only be used to make parity debt payments in the unlikely case insufficient cash is generated from operations any given year. In this unlikely 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.

If the balance in this fund drops below \$1.0 million, the District has three years to replenish it. The year-end 2015 balance is \$1.06 million.

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. The year-end 2015 balance is \$51,688.

Treatment Plant Sub Fund

The District budgets the same \$65,000 amount each year for high cost carbon and membrane filters whether it plans to acquire any or not. This represents one-tenth 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 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 treatment carbon, leaving a year-end balance of \$109,914.

Detail Policies and Internal Controls

The District has established purchasing policies and controls, in compliance with state law, to ensure proper procedures are followed and that District purchases represent best value.

In addition, the District has established Human Resource policies, in compliance with state and federal law, to ensure proper procedures are followed and documented in its dealings with employees.

The District has also established detailed administrative policies and internal controls for all financial functions to ensure the proper checks and balances are in place in order to help prevent fraud, and to ensure all accounting transactions are entered correctly.

Economic and Demographic Trends

Population and Income

The District experienced fast population growth from 2000 to 2008, then it slowed due to the Great Recession. However, income levels within the District remain strong and are well above national averages.

The population and income amounts shown below exclude the owners of second homes. Second homeowners typically have higher incomes than individuals living in the District on a full-time basis.

Mountain Regional Water Special Service District's Population & Income Trends

	2011 Actual	2016 Projected	2011 to 2016 Increase Projected	%
Population	6,343	6,841	498	7.9%
Households	2,249	2,427	178	7.9%
Median Household Income	\$ 86,474	\$ 100,352	\$ 13,878	16.0%
Average Household Income	105,724	125,252	19,528	18.5%

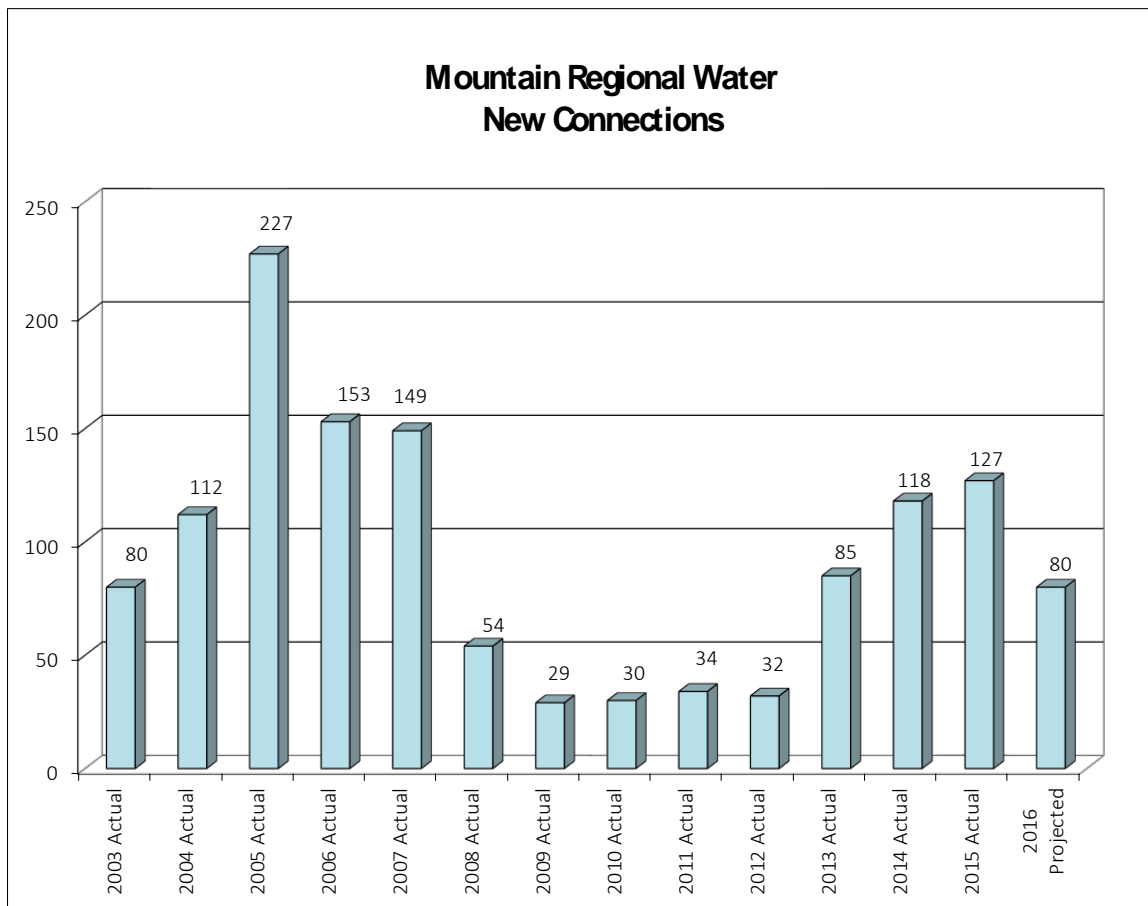
Source: esri Demographic and Income Profile for Mountain Regional Water SSD

Major employer data is not available for the District, although a variety of employers exist. This includes accommodation and food service, recreation, retail trade, technical service, industrial, and government. The unemployment rate in the area is generally lower than the rest of Utah and the nation.

Building Activity

Building activity has a significant impact on District revenue, including the collection of one-time impact and connection fees and the related ongoing increase in water sales. Typically, higher growth translates into lower rate and fee increases long-term.

As shown below, building activity increased significantly in 2014 with 118 new connections, and remained strong with an additional 127 new connections in 2015 – including a new hotel. This led to a significant increase in development related revenue - which drove the \$1.57 million positive budget variance in the 2015 change in net position.

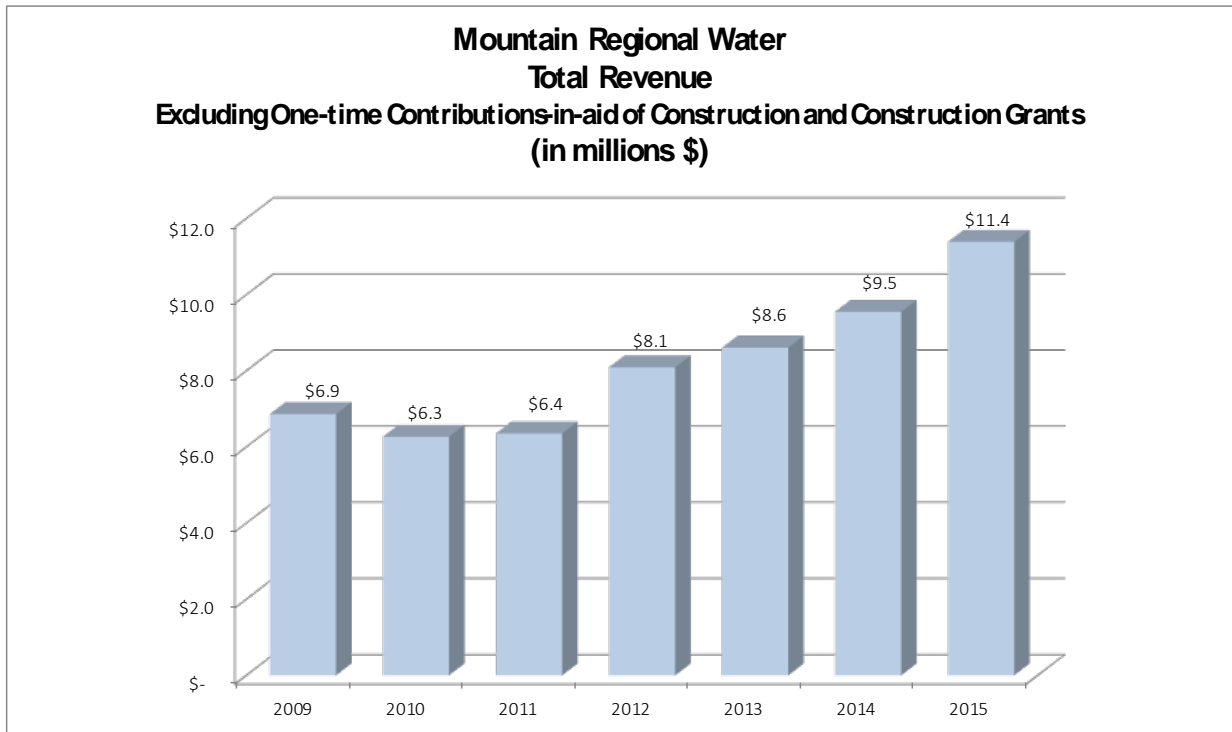


The District realizes this level of new growth is not sustainable in the long-run, so its 2016 revenue budget is based upon 80 new connections.

Revenue Trends

As discussed above, District revenue is very sensitive to building activity and the weather. As shown below, District revenue (excluding one-time contributions-in-aid of construction and construction grants) declined between 2009 and 2011 as the economic downturn and cool wet weather dampened collections. This led to rate and fee increases adopted in 2011 and 2014.

Collections have since rebounded, as District revenue (excluding one-time contributions-in-aid of construction and construction grants) increased from \$6.36 million in 2011 to \$11.40 million for 2015 – a 79.5% increase.



The water rate and fee increases adopted in August 2011 and again in August 2014, combined with higher new connections and increased wholesale water sales, resulted in a 42.9% increase in water sales between 2011 and 2015, from \$5.30 million to \$7.57 million. This increase in water sales is sustainable, and should continue to increase over the next few years due to current growth and an anticipated increase in wholesale water sales.

The acceleration in building activity from 29 new connections in 2009 to 127 in 2015 led to a \$1.29 million increase in impact and operating (mostly meter connection) fees over that same period. This represents a 335.1 % increase.

However, it is extremely unlikely that this level of growth will continue, as the building economy is very cyclical. As such, the District's 2016 budget projects just \$10.90 million in total revenue despite collecting \$11.40 million during 2015.

Debt Coverage Ratio

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 2015 debt coverage ratio from current year operations improved from a very healthy at 1.50 in 2014 to an even stronger 1.79 for 2015. If the \$87,184 transfer from the Treatment Plant stabilization fund is not included, the 2015 ratio drops to 1.77.

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

	2015	2014	2013
Water sales	\$ 7,571,009	\$ 6,812,829	\$ 6,884,945
Operating fees	421,448	350,920	259,851
Impact fees	1,254,502	625,850	563,385
SID assessments	1,730,632	1,575,816	794,375
Interest available for debt service	80,464	29,670	26,491
Treatment Plant Stabilization Fund	87,184	-	-
Other non-restricted cash revenue	331,201	148,208	108,307
Total cash available for debt service from current year operations	<u>11,476,440</u>	<u>9,543,293</u>	<u>8,637,354</u>
Current year cash operating expenses	(5,139,554)	(4,740,832)	(4,494,215)
Actuarial pension adjustment	(125,447)	n/a	n/a
	<u>(5,265,001)</u>	<u>(4,740,832)</u>	<u>(4,494,215)</u>
Net cash available for debt service payments from current year operations	<u>6,211,439</u>	<u>4,802,461</u>	<u>4,143,139</u>
Current year parity debt service payments	<u>3,463,535</u>	<u>3,203,382</u>	<u>2,300,899</u>
Debt service coverage from current year operations	<u>1.79</u>	<u>1.50</u>	<u>1.80</u>
Net cash available for debt service payments from current year operations	6,211,439	4,802,461	4,143,139
Rate Stabilization Fund balance	1,226,512	1,227,634	1,202,048
Total cash available for debt service payments	<u>7,437,951</u>	<u>6,030,095</u>	<u>5,345,187</u>
Debt service coverage with Rate Stabilization fund	<u>2.15</u>	<u>1.88</u>	<u>2.32</u>

The District does not expect this ratio to remain at these levels long-term, as development related revenue is currently at all-time highs and it is very unlikely the current high level of collections will continue indefinitely. Further, debt payments are increasing. As such, the coverage ratio is projected to decline to around 1.30 to 1.40 over the next few years.

As a note, when the \$1.23 million rate stabilization fund balance is included, the 2015 coverage ratio improves to 2.15 – compared to 1.88 for 2014.

Cash Flow

Following the Great Recession when the District's cash balance dropped to what a rating agency described as "barely adequate", the District's cash position is now strong. In fact, after accounting for the \$4.83 million decline in bond proceeds restricted for construction projects, District cash actually increased \$2.01 million in 2015.

Mountain Regional Water Special Service District
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**Mountain Regional Water Special Service District's Cash Summary
(Book Value)**

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Unrestricted cash and reserves held by district					
Operating cash & reserves	\$ 3,166,757	\$ 2,512,242	\$ 2,303,217	\$ 654,515	26.1 %
Rate stabilization fund					
Subfund for debt service	1,064,910	1,058,615	1,053,425	6,295	0.6
Subfund for prepaid assessments	51,688	37,576	82,635	14,112	37.6
Subfund for treatment plant	109,914	131,443	65,988	(21,529)	(16.4)
Regionalization reserve	382,126	6,351	6,320	375,775	5,916.8
Total unrestricted cash and reserves held by the District	<u>4,775,395</u>	<u>3,746,227</u>	<u>3,511,585</u>	<u>1,029,168</u>	<u>27.5</u>
Cash restricted for debt payments					
Held by trustee	510,669	194,273	228,275	316,396	162.9
Held by district	580,825	319,367	316,063	261,458	81.9
Total cash restricted for debt payments	<u>1,091,494</u>	<u>513,640</u>	<u>544,338</u>	<u>577,854</u>	<u>112.5</u>
Other restricted cash					
Impact fees	1,243,343	859,655	834,066	383,688	44.6
Capital facilities construction, repair & replacement reserves	589,672	550,327	570,038	39,345	7.1
IRS rebate	6,266	6,228	403,741	38	0.6
Customer deposits	299,459	320,596	265,021	(21,137)	(6.6)
Bond construction funds	3,829,119	8,662,724	1,626	(4,833,605)	(55.8)
Total other restricted cash	<u>5,967,859</u>	<u>10,399,530</u>	<u>2,074,492</u>	<u>(4,431,671)</u>	<u>(42.6)</u>
Total cash	<u>\$ 11,834,748</u>	<u>\$ 14,659,397</u>	<u>\$ 6,130,415</u>	<u>\$ (2,824,649)</u>	<u>(19.3) %</u>

A large part of this increase was in unrestricted cash and reserves, which increased \$1.03 million (27.5%) in 2015 to \$4.78 million, after increasing \$234,642 (6.7%) in 2014.

Meanwhile, operating cash and reserves increased to \$3.17 million during 2015 – which is 213 days reserves. This compares to \$2.51 million or 191 days reserves at year-end 2014. District policy requires a minimum 120 days reserves year-round. Operating cash and reserves is generally lowest April through June. The 213 days reserves at year-end 2015 should be more than sufficient to maintain 120 days during all of 2016.

Cash restricted for debt payments has been maintained at mandatory levels or higher since the District's inception and finished at \$1.09 million for 2015. This represents a \$577,854 (112.5%) increase over 2014 due to strong 2015 assessment collections.

Other restricted cash decreased \$4.43 million (42.6%) in 2015, including a \$4.83 million decline in Series 2014 bond proceeds used to pay for construction projects. On the other hand, impact fee reserves increased \$383,688 (44.6%) even after applying \$450,000 more towards debt service payments in 2015 than originally included in the budget. As mentioned above, this increase was driven by higher than normal building activity in 2015.

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District Financial Analysis

Net Position

An entity's net position (i.e. total assets plus deferred outflows, less total liabilities and deferred inflows) may serve over time as a useful indicator of a government's financial condition, as shown below.

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

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Operating revenue	\$ 8,067,495	\$ 7,216,662	\$ 7,214,126	\$ 850,833	11.8 %
Operating expenses	(6,605,527)	(6,170,387)	(5,868,998)	(435,140)	7.1
Operating income	<u>1,461,968</u>	<u>1,046,275</u>	<u>1,345,128</u>	<u>415,693</u>	<u>39.7</u>
Non-operating revenue	3,333,972	2,338,710	1,435,193	995,262	42.6
Non-operating expense	(1,683,498)	(1,680,523)	(1,607,910)	(2,975)	0.2
Income before operating transfers	<u>3,112,442</u>	<u>1,704,462</u>	<u>1,172,411</u>	<u>1,407,980</u>	<u>82.6</u>
Transfers and contributions to district	<u>683,791</u>	<u>618,390</u>	<u>288,413</u>	<u>65,401</u>	<u>10.6</u>
Change in net position	3,796,233	2,322,852	1,460,824	1,473,381	63.4
Net position - beginning	<u>41,316,902</u>	<u>39,600,802</u>	<u>38,139,978</u>	<u>1,716,100</u>	<u>4.3</u>
Net position - ending	<u>\$ 45,113,135</u>	<u>\$ 41,923,654</u>	<u>\$ 39,600,802</u>	<u>\$ 3,189,481</u>	<u>7.6 %</u>

The 2015 change in net position - as shown on the Statements of Revenues, Expenses and Changes in Net Position, and shown in the first column ("2015") in the table above – was \$3.80 million. This is different from the \$3.19 million change shown on the bottom row of the fourth column (\$ Change, 2015 to 2014) of the table above due to a one-time \$606,752 reduction in the 2015 beginning balance for net position. This reduction resulted from the GASB changes in pension reporting.

During 2014, net position increased from \$39.60 million to \$41.92 (5.9%). The 2014 increase occurred for the same reasons as the 2015 increase.

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

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

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Unrestricted current assets	\$ 5,513,288	\$ 4,371,261	\$ 4,199,837	\$ 1,142,027	26.1 %
Capital assets	83,123,163	78,353,774	77,507,072	4,769,389	6.1
Net pension assets	1,350	-	-	1,350	-
Other assets	8,332,750	11,950,575	3,718,282	(3,617,825)	(30.3)
Total assets	<u>96,970,551</u>	<u>94,675,610</u>	<u>85,425,191</u>	<u>2,294,941</u>	2.4
Deferred outflow of resources	<u>1,856,934</u>	<u>1,623,612</u>	<u>1,709,441</u>	233,322	14.4
Unrestricted current liabilities	1,317,654	605,330	685,859	712,324	117.7
Long-term liabilities	48,053,574	50,418,825	43,325,009	(2,365,251)	(4.7)
Net pension liability	709,392	-	-	709,392	-
Other liabilities	2,834,252	2,604,887	2,734,360	229,365	8.8
Total liabilities	<u>52,914,872</u>	<u>53,629,042</u>	<u>46,745,228</u>	<u>(714,170)</u>	(1.3)
Deferred inflow of resources	<u>799,478</u>	<u>746,526</u>	<u>788,602</u>	52,952	7.1
Net position					
Net investment in capital assets	38,785,794	36,310,285	34,618,833	2,475,509	6.8
Restricted	2,613,012	1,847,438	1,467,991	765,574	41.4
Unrestricted	<u>3,714,329</u>	<u>3,765,931</u>	<u>3,513,978</u>	<u>(51,602)</u>	(1.4)
Total net position	<u>\$ 45,113,135</u>	<u>\$ 41,923,654</u>	<u>\$ 39,600,802</u>	<u>\$ 3,189,481</u>	7.6 %

Net Investment in Capital Assets

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

As shown above, net investment in capital assets increased \$2.48 million (6.8%) in 2015 to \$38.79 million, as the completion of small projects and bond payments were somewhat offset by depreciation. Meanwhile, net investment increased \$1.69 million (4.9%) in 2014 for the same reasons.

In 2015, capital assets accounted for \$83.12 million or 85.7% of total assets compared to 82.8% in 2014 due to the completion of capital projects. Long-term liabilities (mostly bonds) accounted for \$48.05 million or 90.8% of total liabilities in 2015 compared to 94.0% for 2014 due to 2015 bond principal payments. Finally, net investment in capital assets accounted for \$38.79 million or 86.0% of total net position in 2015 compared to 86.6% in 2014.

Restricted Net Position

Restricted net position includes restricted cash accounts less liabilities that will be paid from future restricted revenue collections.

In 2015, restricted net position increased \$765,574 (41.4%) to \$2.61 million largely due to an increase in impact fee and assessment collections in excess of what was applied to related debt payments. These excess collections were deposited into restricted funds pursuant to bonding arrangements.

In 2014, restricted net position increased \$379,447 (25.8%) as the Series 2014 bond sold at a premium that led to an increase in restricted cash that was greater than the related debt, as discussed in more detail later.

Unrestricted Net Position

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

In 2015, unrestricted net position decreased \$51,602 (1.4%). However, if the one-time GASB pension reduction of \$606,752 is taken into account, unrestricted net position would have increased \$555,150 (17.6%) as unrestricted cash increased \$1.03 million over the same period due to strong revenue collections. On the other hand, accounts payable increased \$592,763 due to the timing of year end invoices.

Unrestricted net position for 2014 increased \$251,953 (7.2%) to \$3.77 million. Higher unrestricted cash and reserves resulted from power and repair costs finishing under budget.

Dividing the District's unrestricted current assets by its unrestricted current liabilities demonstrates its ability to meet its following year's obligations. This ratio dropped to 4.18 in 2015 from 7.22 for 2014, partly because the current portion of long-term debt at year-end 2015 increased \$338,058 over 2014. In addition, the District owed Weber Basin a one-time \$81,495 payment.

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Summary of Revenue

Total revenue increased \$1.85 million (19.3%) in 2015 to \$11.40 million, after increasing \$906,053 (10.5%) in 2014, as shown below.

Mountain Regional Water Special Service District's Revenue Summary

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Operating					
Retail water sales	\$ 6,668,586	\$ 6,320,223	\$ 6,440,572	\$ 348,363	5.5 %
Wholesale water sales & wheeling fees	902,423	492,606	444,373	409,817	83.2
Operating fees	421,448	350,920	259,851	70,528	20.1
Other	75,038	52,913	69,330	22,125	41.8
Total operating	8,067,495	7,216,662	7,214,126	850,833	11.8
Non-operating					
Grants	16,704	11,667	47,648	5,037	43.2
Interest income	80,958	30,082	26,789	50,876	169.1
Impact fees	1,254,502	625,850	563,385	628,652	100.4
SID assessments	1,730,632	1,575,816	794,375	154,816	9.8
Gain on sale of assets	144,008	9,138	-	134,870	1,475.9
Other non-operating revenue	107,168	86,157	2,996	21,011	24.4
Total non-operating	3,333,972	2,338,710	1,435,193	995,262	42.6
Total revenue	\$ 11,401,467	\$ 9,555,372	\$ 8,649,319	\$ 1,846,095	19.3 %

The \$409,817 (83.2%) increase in 2015 wholesale water sales & wheeling fees resulted from new contracts to sell the District's surplus water to Weber Basin through the regionalization agreement. Wholesale water sales should continue to increase over the next five to ten years.

In addition, impact fee collections increased \$628,652 (100.4%) to \$1.25 million in 2015. This large increase occurred due to strong building activity including a new hotel. The District does not expect impact fee collections to remain at this level moving forward, and budgeted \$600,000 for impact fees for 2016.

The 5.5% increase in retail water sales during 2015 resulted from rate increases, as total District consumption remained flat despite customer growth. However, it is anticipated that the strong current growth in new connections will result in higher water sales long-term.

Interest income increased \$50,876 (169.1%) during 2015 due to higher cash balances, particularly bond proceeds, and a small 25 basis point increase in the short-term interest rates paid by the Utah Public Treasurers Investment Fund.

The \$134,870 (1,475.9%) increase in the gain on sale of assets included \$103,500 from the sale of a surplus lot, and \$28,500 from the sale of heavy equipment.

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Summary of Expenses

As shown below, District expenses increased \$438,115 (5.6%) to \$8.29 million in 2015. This included a \$236,424 (15.4%) increase in water production, most of which resulted from selling 400 acre feet of surplus water to Weber Basin in 2015. As such, these costs were more than covered by the \$367,200 in related revenue from Weber Basin.

Mountain Regional Water Special Service District's Expense Summary

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Operating					
Operations, maintenance and repairs	\$ 1,939,408	\$ 1,993,860	\$ 1,870,797	\$ (54,452)	(2.7) %
Water production	1,770,336	1,533,912	1,527,502	236,424	15.4
Engineering and energy & technology management	551,055	440,263	423,200	110,792	25.2
Management and finance	677,152	727,298	642,462	(50,146)	(6.9)
Legal services	24,560	45,499	30,254	(20,939)	(46.0)
Pension expense	177,043	-	-	177,043	-
Depreciation	1,465,973	1,429,555	1,374,783	36,418	2.5
Total operating	6,605,527	6,170,387	5,868,998	435,140	7.1
Non-Operating					
Interest expense	1,624,034	1,441,191	1,527,500	182,843	12.7
Loss on sale of assets	-	-	16,776	-	-
Bond insurance cost amortization	15,734	14,965	17,414	769	5.1
Bond issuance costs	-	180,067	-	(180,067)	(100.0)
Trustee and bank fees	43,730	44,300	46,220	(570)	(1.3)
Total non-operating	1,683,498	1,680,523	1,607,910	2,975	0.2
Total expenses	\$ 8,289,025	\$ 7,850,910	\$ 7,476,908	\$ 438,115	5.6 %

Engineering and energy & technology management increased \$110,792 (25.2%) in 2015, as an engineer was hired as part of the District's management transition program.

All departments experienced a reduction in operating expenses in 2015 as a result of the GASB changes in pension reporting requirements. The actuarial pension expense of \$177,043 reported on these 2015 financial statements is \$125,971 less than the actual 2015 contributions to the pension plan. As discussed earlier, GASB Statement No. 68 now requires the actuarial determined pension expense to be reported on its financial statements rather than the actual contributions.

The annual actuarial pension expense is impacted by the performance of the pension's investments and other factors which could lead to significant swings in year-to-year pension expense reported (and thus the annual change net position) in all governmental financial statements moving forward.

Total expense increased \$374,002 (5.0%) in 2014. This increase is inflated by one-time payments of \$180,067 for bond issuance costs. If the issuance costs are excluded, the increase in total expenses would have been \$193,935 (2.6%).

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Capital Assets

The District operates as an enterprise fund which includes the capitalization and depreciation of all assets. Asset categories include land and water rights; infrastructure not buildings (water system infrastructure); construction in progress; and buildings, equipment and furnishings.

**Mountain Regional Water Special Service District's Capital Assets
(net of depreciation)**

				\$ Change	% Change
	2015	2014	2013	2015 to 2014	2015 to 2014
Land and water rights	\$ 20,360,836	\$ 20,361,463	\$ 19,821,463	\$ (627)	(0.0) %
Construction in progress	5,018,746	42,567	380,270	4,976,179	11,690.2
Infrastructure not buildings	51,006,755	51,177,942	50,837,962	(171,187)	(0.3)
Buildings, equipment and furnishings	6,736,826	6,771,802	6,467,377	(34,976)	(0.5)
Total capital assets (net)	\$ 83,123,163	\$ 78,353,774	\$ 77,507,072	\$ 4,769,389	6.1 %

Capital assets (net of depreciation) increased \$4.77 million (6.1%) in 2015 to \$83.12 million - as several projects are currently under construction. This includes a new tank, two booster stations and a well in the Promontory development; as well as a new storage tank in the Atkinson area. These projects will provide for new growth in the Promontory development and increase the amount of surplus water the District can sell to Weber Basin under the regionalization agreement discussed earlier.

Capital assets increased \$846,702 (1.1%) to \$78.35 million in 2014, as the construction of small capital projects was partially offset by depreciation.

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

The proceeds from the Series 2014 Bonds will eventually add \$8.55 million in new capital assets during 2015 and 2016. As shown above, 2015 includes \$5.02 million of this.

Outstanding Debt

The District maintains a schedule to pay off all its debt by 2034.

Total debt decreased \$2.06 million (4.0%) in 2015 due to principal payments, as no new debt was issued.

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Mountain Regional Water Special Service District's Net Debt Outstanding

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Revenue and refunding bonds	\$ 43,990,000	\$ 45,766,000	\$ 39,478,000	\$ (1,776,000)	(3.9) %
Government notes and bonds	1,589,733	1,677,948	1,792,276	(88,215)	(5.3)
Unamortized grant	210,000	221,667	233,336	(11,667)	(5.3)
Unamortized premiums	2,909,324	3,084,960	2,305,466	(175,636)	(5.7)
Capital leases	298,150	310,000	-	(11,850)	(3.8)
Total debt outstanding	<u>\$ 48,997,207</u>	<u>\$ 51,060,575</u>	<u>\$ 43,809,078</u>	<u>\$ (2,063,368)</u>	<u>(4.0) %</u>

Total debt increased \$7.25 million (16.6%) in 2014 as two new debt instruments were issued that exceeded the amount of principal payments made in 2014. In 2014, the District made \$1.88 million in scheduled principal payments, plus another \$277,543 was used to pay off three state loans early.

Two new debt instruments were entered into in 2014. First, a \$146,250 promissory note was used to acquire property. Second, \$8.14 million in Series 2014 Bonds were issued to pay for construction projects in the Promontory development and the rest of the District. The bonds sold at a premium leading to over \$8.55 million in proceeds available for construction projects.

The Promontory developer is using \$4.25 million of the proceeds to construct an additional tank, pipeline and pump station within the development. The developer will reimburse the District for the related debt payments through new assessments on existing unsold lots and future lots developed within Promontory.

The remaining proceeds are being used by the District to develop a new well, tank and pump stations.

The history of the District's underlying bond ratings is shown below.

**Mountain Regional Water Special Service District
Bond Rating History**

	2009	2010	2011	2012	2013	2014	2015
Series 2009B Revenue Bond							
Standard & Poor's	A+	A+	A+	A+	A+	A+	A+
Fitch	A	AA-	AA-	AA-	A+	A+	A+
Series 2012 Revenue Bond							
Standard & Poor's	n/a	n/a	n/a	A+	A+	A+	A+
Fitch	n/a	n/a	n/a	AA-	A+	A+	A+
Series 2014 Revenue Bond							
Standard & Poor's	n/a	n/a	n/a	n/a	n/a	A+	A+
Fitch	n/a	n/a	n/a	n/a	n/a	A+	A+

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Capital Leases

The District currently has one capital lease that was obtained in 2014 to acquire property next to the District's Lost Canyon Booster Station. This property is necessary for any future expansion of the booster station, and the home on the property was converted to an office. An \$11,850 principal payment was made in 2015 that reduced the capital lease outstanding to \$298,150, as shown below.

Mountain Regional Water Special Service District's Capital Leases

	2015	2014	2013	\$ Change 2015 to 2014	% Change 2015 to 2014
Property Lease Purchase Agreement	298,150	310,000	-	(11,850)	(3.8)
Total capital leases outstanding	\$ 298,150	\$ 310,000	\$ -	\$ (11,850)	(3.8) %

Budgetary Information

The District realized a \$3.80 million change in net position (net income) for 2015. After making adjustments for non-cash year-end journal entries, the District's change in net position exceeded budget by \$1.57 million, as shown on the following page.

The non-cash year-end budget entries include the retirement accrual required by GASB Statement No. 68. This entry is not included for budget comparison purposes, as \$125,971 was added back to 2015 operating expenses to account for the difference between the \$177,043 in actuarial pension expense reported on these financial statements, and the \$303,014 in actual contributions.

In addition the \$45,166 increase in inventory during 2015 reduced operating expenses. As such, this amount was added back to operating expenses for budget comparison purposes only.

The \$683,791 in net contributions in aid of construction was deducted from the 2015 change in net position for budget comparison purposes, as these were non-budgeted, non-cash transfers of capital assets to the District.

Finally \$19,020 of the interest expense budget was transferred to the capital budget for comparison purposes to account for the amount of interest expense that was capitalized to projects under construction during 2015.

The \$1.57 million positive budget variance for 2015 was driven by non-operating revenue that exceeded budget projections by nearly \$1.25 million (59.7%) due to strong building activity. In particular, impact fees exceeded budget by \$865,602 and special assessment collections exceeded projections by \$194,632. The sale of surplus property and heavy equipment in 2015 contributed to the \$126,176 positive variance other non-operating revenue.

It is not anticipated that non-operating revenue will remain this strong moving forward, as many of these collections were one-time.

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Mountain Regional Water Special Service District's Budget Comparison

	2015 Actual	Add Back Retirement Accrual	Change In Inventory	Add Back Capitalized Interest	Deduct Contribution In-Aid	2015 Adjusted Actual	2015 Adopted Budget	Favorable (Unfavorable)
Operating revenues:								
Water Sales	\$ 7,571,009	\$ -	\$ -	\$ -	\$ -	\$ 7,571,009	\$ 7,654,700	\$ (83,691)
Operating Fees	421,448	-	-	-	-	421,448	303,000	118,448
Other	75,038	-	-	-	-	75,038	65,000	10,038
Total operating revenue	8,067,495	-	-	-	-	8,067,495	8,022,700	44,795
Operating expenses:								
Operations								
Energy & Resource Management	447,984	45,119	-	-	-	493,103	494,800	1,697
Lost Canyon Water Transmission	1,301,706	29,105	-	-	-	1,330,811	1,271,100	(59,711)
Treatment Plant	468,630	26,226	-	-	-	494,856	536,100	41,244
Distribution	1,906,051	107,531	45,166	-	-	2,058,748	2,189,100	130,352
Safety	33,357	-	-	-	-	33,357	46,400	13,043
Subtotal	4,157,728	207,981	45,166	-	-	4,410,875	4,537,500	126,625
General Manager								
Engineering & Development	103,071	27,973	-	-	-	131,044	134,700	3,656
Human Resources	89,840	3,822	-	-	-	93,662	105,300	11,638
Legal	24,560	-	-	-	-	24,560	60,000	35,440
Subtotal	217,471	31,795	-	-	-	249,266	300,000	50,734
Public Services								
Public Services	361,252	39,318	-	-	-	400,570	404,400	3,830
Subtotal	361,252	39,318	-	-	-	400,570	404,400	3,830
Financial Management								
Financial Management	226,060	23,920	-	-	-	249,980	285,600	35,620
Subtotal	226,060	23,920	-	-	-	249,980	285,600	35,620
Non-cash Expenses								
Pension Expense	177,043	(177,043)	-	-	-	-	-	-
Depreciation	1,465,973	-	-	-	-	1,465,973	1,500,000	34,027
Subtotal	1,643,016	(177,043)	-	-	-	1,465,973	1,500,000	34,027
Total operating expenses	6,605,527	125,971	45,166	-	-	6,776,664	7,027,500	250,836
Operating income	1,461,968	(125,971)	(45,166)	-	-	1,290,831	995,200	295,631
Non-operating revenue								
Grants	16,704	-	-	-	-	16,704	11,700	5,004
Interest Income	80,958	-	-	-	-	80,958	25,500	55,458
Impact Fees	1,254,502	-	-	-	-	1,254,502	388,900	865,602
SID Assessments	1,730,632	-	-	-	-	1,730,632	1,536,000	194,632
Other Non-Operating Revenue	251,176	-	-	-	-	251,176	125,000	126,176
Total non-operating revenue	3,333,972	-	-	-	-	3,333,972	2,087,100	1,246,872
Non-operating expenses								
Interest Expense	1,624,034	-	-	19,020	-	1,643,054	1,665,500	22,446
Bond Insurance Cost Amortization	15,734	-	-	-	-	15,734	17,500	1,766
Trustee and Bank Fees	43,730	-	-	-	-	43,730	52,000	8,270
Total non-operating expenses	1,683,498	-	-	19,020	-	1,702,518	1,735,000	32,482
Total non-operating income	1,650,474	-	-	(19,020)	-	1,631,454	352,100	1,279,354
Income (loss) before operating transfers	3,112,442	(125,971)	(45,166)	(19,020)	-	2,922,285	1,347,300	1,574,985
Contributions-in-aid of construction	683,791	-	-	-	(683,791)	-	-	-
Change in net position	\$ 3,796,233	\$ (125,971)	\$ (45,166)	\$ (19,020)	\$ (683,791)	\$ 2,922,285	\$ 1,347,300	\$ 1,574,985

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Operating (mostly connection) fees exceeded the 2015 budget projections by \$118,448 due to strong building activity as well.

On the expense side, operating expenses finished 2015 at \$250,835 (3.6%) under budget – as the District's operating expense budget typically includes a 2.0% contingency. Meanwhile, non-operating expense finished \$32,482 (1.9%) under budget.

Impact Fees

As shown below, the District has collected \$9.34 million in impact fees and 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 2010	2011	2012	2013	2014	2015	Total
Cash Collections							
Impact Fees	\$ 6,186,662	\$ 228,948	\$ 196,067	\$ 519,352	\$ 594,360	\$ 1,217,084	\$ 8,942,473
Interest Earnings	379,911	3,538	4,471	3,372	3,217	5,504	400,013
Total cash collections	<u>6,566,573</u>	<u>232,486</u>	<u>200,538</u>	<u>522,724</u>	<u>597,577</u>	<u>1,222,588</u>	<u>9,342,486</u>
<i>Cumulative cash collections</i>	6,566,573	6,799,059	6,999,597	7,522,321	8,119,898	9,342,486	
Cash Expenditures							
Debt Service ⁽¹⁾	4,546,929	200,000	230,000	430,000	529,100	838,900	6,774,929
Basin Pipeline	1,322,226	-	-	-	1,988	-	1,324,214
Total cash expenditures	<u>5,869,155</u>	<u>200,000</u>	<u>230,000</u>	<u>430,000</u>	<u>531,088</u>	<u>838,900</u>	<u>8,099,143</u>
<i>Cumulative cash expenditures</i>	5,869,155	6,069,155	6,299,155	6,729,155	7,260,243	8,099,143	
Net Cash Flow to Date	<u>\$ 697,418</u>	<u>\$ 32,486</u>	<u>\$ (29,462)</u>	<u>\$ 92,724</u>	<u>\$ 66,489</u>	<u>\$ 383,688</u>	<u>\$ 1,243,343</u>
<i>Cumulative Cash Flow</i>	697,418	729,904	700,442	793,166	859,655	1,243,343	
	2016	2017	2018	2019	2020	2021	Total
Projected Future Uses							
Debt Service ⁽¹⁾	\$ 600,000	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Capital Projects	243,343	-	-	-	-	-	243,343
Total Future Cash Expenditures	<u>\$ 843,343</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,343</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.

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	Total Project Cost	Cost Allocated to Impact Fees
Funded Projects Completed		
Water Rights & Shares	\$ 36,755,672	\$ 14,027,210
Source Development	19,602,489	12,319,954
Storage	4,513,891	3,534,413
Lost Canyon Importation and Basin Transmission Lines	26,851,401	15,904,125
Total Projects	<u>\$87,723,453</u>	<u>\$ 45,785,702</u>
	Max Years Financed	<u>30</u>
	Annual Debt Service	<u>\$ 1,526,190</u>

Of this, \$6.77 million has been applied to debt service payments, while another \$1.32 million has been used to pay for projects in the capital facilities plan.

It is anticipated that \$243,343 of remaining \$1.24 million will be used to supplement the Series 2014 bond proceeds applied to the new Atkinson tank project; while another \$1.0 million will likely be applied to debt service payments over the next three years.

In 2015, the District collected a record \$1.22 million in cash impact fees due to the strong building economy. It is not anticipated the collections will remain at this level.

The amount of cash impact fee collections shown above may be different than the impact fee revenue shown on the financial statements due to non-cash adjustments.

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

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 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.

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Statements of Net Position
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	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,775,395	\$ 3,746,227
Restricted cash and cash equivalents	6,387,614	10,399,530
Accounts receivable	587,712	494,329
Due from other governmental entities	2,310	28,000
Other receivables	188,338	-
Prepaid expenses	1,085,059	1,037,405
Inventories	147,871	102,705
Total current assets	13,174,299	15,808,196
Cash Restricted for Debt Repayment	671,739	513,640
Net Pension Asset	1,350	-
Capital Assets		
Depreciable assets, net	57,743,581	57,949,744
Land and water rights	20,360,836	20,361,463
Construction-in-progress	5,018,746	42,567
Total assets	96,970,551	94,675,610
Deferred Outflow of Resources		
Loss on bond refunding	1,537,782	1,623,612
Pension outflows	319,152	-
Total deferred outflow of resources	1,856,934	1,623,612
	\$ 98,827,485	\$ 96,299,222

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	2015	2014
Liabilities		
Current Liabilities		
Accounts payable	\$ 729,234	\$ 136,471
Accrued liabilities	804,640	791,729
Due to other government entities	186,591	105,031
Current portion, capital lease	12,197	11,850
Current portion, accrued liabilities - developer	216,971	300,920
Current portion of long-term debt	2,202,273	1,864,215
Total current liabilities	4,151,906	3,210,216
Long-term Liabilities		
Capital lease, less current portion	285,953	298,150
Accrued liabilities - developer, less current portion	1,270,837	1,234,316
Net pension liability	709,392	-
Long-term debt, less current portion	46,496,784	48,886,360
Total liabilities	52,914,872	53,629,042
Deferred Inflow of Resources		
Gain on bond refunding	707,063	746,526
Pension inflows	92,415	-
Total deferred inflow of resources	799,478	746,526
Net Position		
Net investment in capital assets	38,785,794	36,310,285
Restricted	2,613,012	1,847,438
Unrestricted, restated	3,714,329	3,765,931
Total net position	45,113,135	41,923,654
	\$ 98,827,485	\$ 96,299,222

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Revenues		
Retail water sales	\$ 6,668,586	\$ 6,320,223
Wholesale water sales & wheeling fees	902,423	492,606
Operation fees	421,448	350,920
Other	75,038	52,913
Total operating revenues	<u>8,067,495</u>	<u>7,216,662</u>
Operating Expenses		
Operations, maintenance and repairs	1,939,408	1,993,860
Water production	1,770,336	1,533,912
Engineering and energy and technology management	551,055	440,263
Management and finance	677,152	727,298
Legal services	24,560	45,499
Pension expense	177,043	-
Depreciation	1,465,973	1,429,555
Total operating expenses	<u>6,605,527</u>	<u>6,170,387</u>
Operating Income	<u>1,461,968</u>	<u>1,046,275</u>
Non-Operating Revenues (Expenses)		
Grants	16,704	11,667
Interest income	80,958	30,082
Impact fees	1,254,502	625,850
Special Improvement District assessments	1,730,632	1,575,816
Gain (loss) on sale of capital assets	144,008	9,138
Other non-operating revenue	107,168	86,157
Interest expense	(1,624,034)	(1,441,191)
Trustee and bank fees	(43,730)	(44,300)
Bond insurance cost amortization	(15,734)	(14,965)
Bond issuance costs	-	(180,067)
Total non-operating revenues (expenses), net	<u>1,650,474</u>	<u>658,187</u>
Income Before Transfers	<u>3,112,442</u>	<u>1,704,462</u>
Contributions-in-aid of Construction	<u>766,136</u>	<u>618,390</u>
Contributions to Other Governments	<u>(82,345)</u>	<u>-</u>
Change in net position	<u>3,796,233</u>	<u>2,322,852</u>
Net Position, Beginning of Year, 2015 Restated	<u>41,316,902</u>	<u>39,600,802</u>
Net Position, End of Year	<u>\$ 45,113,135</u>	<u>\$ 41,923,654</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Cash received from customers	\$ 7,811,464	\$ 7,350,885
Cash paid to suppliers	(2,001,234)	(2,633,491)
Cash paid to employees	(2,681,069)	(2,471,667)
Net Cash from Operating Activities	3,129,161	2,245,727
Capital and Related Financing Activities		
Grants received	4,986	-
Interest and bank fees paid	(1,883,345)	(1,553,565)
Purchase of property and equipment	(5,490,035)	(1,202,014)
Proceeds from sale of capital assets	164,817	9,935
Long-term debt payments	(1,864,215)	(2,157,978)
Proceeds from long-term debt	-	9,089,371
Payments for capital lease	(11,850)	-
Payments for bond issuance costs	-	(180,069)
Proceeds on accrued liability - developer	598,663	57,737
Payments on accrued liability - developer	(646,091)	(98,067)
Special Improvement District assessment	1,730,632	1,575,816
Impact fees	1,254,502	625,850
Other revenue received	107,168	86,157
Net Cash from (used for) Capital and Related Financing Activities	(6,034,768)	6,253,173
Investing Activities		
Investment income	80,958	30,082
Release of restricted cash	3,853,817	-
Investment in restricted cash	-	(8,294,340)
Net Cash from (used for) Investing Activities	3,934,775	(8,264,258)
Net Change in Cash and Cash Equivalents	1,029,168	234,642
Cash and Cash Equivalents, Beginning of Period	3,746,227	3,511,585
Cash and Cash Equivalents, End of Period	\$ 4,775,395	\$ 3,746,227

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
Statements of Cash Flows
Years ended December 31, 2015 and 2014

	2015	2014
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 1,461,968	\$ 1,046,275
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	1,465,973	1,429,555
Net pension liability	(125,447)	-
Changes in operating assets and liabilities:		
Accounts receivable	(93,383)	68,661
Due from other government entities	25,690	-
Other receivables	(188,338)	65,562
Prepaid expenses	(63,388)	(18,480)
Inventory	(45,166)	(5,443)
Accounts payable	592,763	(124,441)
Accrued liabilities	16,929	99,487
Due to other government entities	81,560	(315,449)
Total adjustments	1,667,193	1,199,452
Net Cash from Operating Activities	\$ 3,129,161	\$ 2,245,727
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Capital asset contributions-in-aid of construction	\$ 766,136	\$ 618,390
Land acquired under capital lease	-	310,000
Land acquired through long-term debt	-	146,650

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Mountain Regional Water Special Service District is presented to assist in understanding the District's financial statements. The financial statements, notes, and required supplemental information are representations of the District's management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Operations

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 existing areas and to areas of new growth and development within Snyderville Basin and Promontory Development of Summit County.

Reporting Entity

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

Budgetary Policy

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

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

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

Fund Accounting

The accounts of the District are organized into a single enterprise fund.

Enterprise Fund – The Enterprise Fund is used to account for operations financed and operated in a manner similar to private business enterprises – (a) where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability, or other purposes.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds (which include enterprise funds) are accounted for on an economic resources measurement focus and the accrual basis of accounting. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on the statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

Estimates

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

Cash and Cash Equivalents

The District considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, or other long-term purposes of the District are excluded from this definition.

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

Notes to Financial Statements
December 31, 2015 and 2014

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

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

Inventories

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

Capital Assets

Capital additions, improvements and major renewals are classified as property, plant and equipment and are recorded at cost. The District capitalizes all fixed asset purchases with costs in excess of \$5,000. Major maintenance projects in excess of \$5,000 are examined to determine whether they should be capitalized or expensed. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life (Years)</u>
Buildings	60
Improvements other than buildings	25 - 60
Furniture and fixtures, machinery and equipment, vehicles, and engineering library	5 - 7

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. Interest costs incurred during construction are capitalized net of earnings when they are material. During 2015 the District capitalized \$19,020 of interest costs which is net of interest income of \$39,271.

Net Pension Liability

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

Deferred Outflow and Inflows of Resources

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

Deferred outflows of resources related to pensions on the statements of net position represent pension contributions made to the plan prior to our fiscal year end, but prior to the measurement date. They will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Deferred inflow of resources related to pensions on the statements of net position represent inflows of cash relating to a future period and will be recognized as pension expense in related fiscal years.

Restricted Net Position

The District has several situations where net position must be classified as restricted. The largest component is funds set aside for debt service. This includes debt reserves held by a trustee as required by bond covenants; as well as the required monthly deposits into trustee accounts to make annual principal and interest payments. Bond covenants require monthly deposits into trustee accounts roughly equal to 1/12th of annual debt payments.

Utah State Law also requires certain funds to be held in restricted accounts. This includes impact fee collections and state bond proceeds. In addition, the state requires the District to maintain capital facility repair and replacement funds as part of the bond covenants for state loans.

The federal government requires funds to be held in restricted trustee accounts for estimated future bond arbitrage tax payments to the IRS.

The District also has contractual restrictions including repair reserves and liabilities owed to developers. The District has contracts with two developers that require the District to reimburse them for prepaid impact fees and special assessments. However, the District is only required to reimburse these developers after it collects the related impact fees and special assessments from lot owners when they apply for a building permit.

Implementation of GASB Statements No. 68 and No. 71

During 2015 the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In short, this pronouncement requires the District to report on its financial statements any actuarially determined pension assets, unfunded pensions liabilities, and pension related deferred inflows and

outflows. In addition, the actuarial expense is now reported on the Statement of Revenues, Expenses and Changes in Net Position rather than the actual contributions to the retirement plan.

Subsequent Events

In February 2016, the District's legal counsel agreed that \$82,115 in impact fees the District had set aside from the Woodside development to pay Summit Water in exchange for a corresponding quantity of water was no longer due and payable to Summit Water. Pursuant to a settlement agreement between the District and Summit Water, Summit Water has the right to provide up to 50% of the water rights and source for any new development that entered into a water service agreement with the District after the settlement date of November 9, 2011; unless that new development had District prepaid connections.

However, Summit Water has not installed the required interconnect between Summit Water and the District, including the related water rights and source. As such Woodside is now being serviced from District water rights and sources. The \$82,115 will be recognized as impact fee revenue by the District in 2016.

Note 2 - Deposits and Investments

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

Custodial Credit Risk

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

As of December 31, 2015, \$354,469 of the District's \$604,469 bank balance was uninsured and uncollateralized. As of December 31, 2014, \$673,358, of the District's \$923,358 bank balance was uninsured and uncollateralized.

Credit Risk

Cash and Investments – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk is to comply with the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains, and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balances.

Mountain Regional Water Special Service District
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Notes to Financial Statements
December 31, 2015 and 2014

As of December 31, 2015 and 2014, the District had \$6,466,813 and \$4,463,344, respectively, invested directly with the PTIF. In addition, the District had, as of December 31, 2015 and 2014, respectively, \$4,798,325 and \$9,342,301 of debt service reserve, bond sinking fund, and bond proceeds invested with the PTIF through Wells Fargo Corporate Trust, who acts as trustee for these funds. The amounts invested with the PTIF are reported at fair value. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

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

Note 3 - Capital Assets

A summary of activity in the capital assets for the year ended December 31, 2015 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated					
Land and water rights	\$ 20,361,463	\$ -	\$ (627)	\$ -	\$ 20,360,836
Construction-in-progress	42,567	5,388,160	-	(411,981)	5,018,746
	<u>20,404,030</u>	<u>5,388,160</u>	<u>(627)</u>	<u>(411,981)</u>	<u>25,379,582</u>
Depreciable assets					
Buildings	7,612,615	-	-	140,618	7,753,233
Improvements other than buildings	64,952,949	766,137	(14,120)	223,715	65,928,681
Furniture and fixtures	181,851	-	(15,075)	-	166,776
Machinery and equipment	1,108,598	7,488	(58,982)	47,648	1,104,752
Vehicles	787,625	94,386	(76,903)	-	805,108
Engineering library	105,000	-	-	-	105,000
	<u>74,748,638</u>	<u>868,011</u>	<u>(165,080)</u>	<u>411,981</u>	<u>75,863,550</u>
Less accumulated depreciation:					
Buildings	(1,685,136)	(132,068)	-	-	(1,817,204)
Improvements other than buildings	(13,775,011)	(1,146,915)	-	-	(14,921,926)
Furniture and fixtures	(162,472)	(4,842)	15,075	-	(152,239)
Machinery and equipment	(545,717)	(103,402)	58,982	-	(590,137)
Vehicles	(525,558)	(78,746)	70,841	-	(533,463)
Engineering library	(105,000)	-	-	-	(105,000)
Total accumulated depreciation	<u>(16,798,894)</u>	<u>(1,465,973)</u>	<u>144,898</u>	<u>-</u>	<u>(18,119,969)</u>
Total capital assets being depreciated, net	<u>57,949,744</u>	<u>(597,962)</u>	<u>(20,182)</u>	<u>411,981</u>	<u>57,743,581</u>
	<u>\$ 78,353,774</u>	<u>\$ 4,790,198</u>	<u>\$ (20,809)</u>	<u>\$ -</u>	<u>\$ 83,123,163</u>

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
Notes to Financial Statements
December 31, 2015 and 2014

A summary of activity in the capital assets for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated					
Land and water rights	\$ 19,821,463	\$ 540,000	\$ -	\$ -	\$ 20,361,463
Construction-in-progress	380,270	868,331	-	(1,206,034)	42,567
	<u>20,201,733</u>	<u>1,408,331</u>	<u>-</u>	<u>(1,206,034)</u>	<u>20,404,030</u>
Depreciable assets					
Buildings	7,612,615	-	-	-	7,612,615
Improvements other than buildings	63,489,854	698,943	-	764,152	64,952,949
Furniture and fixtures	181,851	-	-	-	181,851
Machinery and equipment	888,723	92,145	(314,152)	441,882	1,108,598
Vehicles	735,423	77,635	(25,433)	-	787,625
Engineering library	105,000	-	-	-	105,000
	<u>73,013,466</u>	<u>868,723</u>	<u>(339,585)</u>	<u>1,206,034</u>	<u>74,748,638</u>
Less accumulated depreciation:					
Buildings	(1,553,069)	(132,067)	-	-	(1,685,136)
Improvements other than buildings	(12,651,891)	(1,123,120)	-	-	(13,775,011)
Furniture and fixtures	(151,989)	(10,483)	-	-	(162,472)
Machinery and equipment	(781,215)	(78,655)	314,153	-	(545,717)
Vehicles	(464,963)	(85,230)	24,635	-	(525,558)
Engineering library	(105,000)	-	-	-	(105,000)
Total accumulated depreciation	<u>(15,708,127)</u>	<u>(1,429,555)</u>	<u>338,788</u>	<u>-</u>	<u>(16,798,894)</u>
Total capital assets being depreciated, net	<u>57,305,339</u>	<u>(560,832)</u>	<u>(797)</u>	<u>1,206,034</u>	<u>57,949,744</u>
	<u>\$ 77,507,072</u>	<u>\$ 847,499</u>	<u>\$ (797)</u>	<u>\$ -</u>	<u>\$ 78,353,774</u>

Depreciation expense for 2015 and 2014 was \$1,465,973 and \$1,429,555, respectively.

Total net contributions-in-aid of construction for 2015 were \$683,791, made up of a contribution from a developer of \$766,136, less a contribution by the District to Weber Basin of \$82,345. In 2014, contributions-in-aid of construction were \$618,390.

Note 4 - Current Accrued Liabilities

Current accrued liabilities consist of accrued wages and benefits, customer deposits, and interest on outstanding debt. As of December 31, 2015 and 2014, accrued liabilities were \$804,640 and \$791,729, respectively. Accrued payroll accounted for \$408,122 of accrued liabilities as of December 31, 2015 and \$370,057 as of December 31, 2014. Customer deposits accounted for \$299,459 of accrued liabilities as of December 31, 2015 and \$320,596 as of December 31, 2014.

Mountain Regional Water Special Service District
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Notes to Financial Statements
December 31, 2015 and 2014

Note 5 - Long-term Debt

A summary of long-term debt activity for the years ended December 31, 2015 and 2014 is as follows:

	Balance January 1, 2015	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Notes payable	\$ 1,677,948	\$ -	\$ (88,215)	\$ 1,589,733	\$ 92,273
Bonds payable	45,766,000	-	(1,776,000)	43,990,000	2,110,000
Unamortized grants	221,667	-	(11,667)	210,000	-
Unamortized premium	3,084,960	-	(175,636)	2,909,324	-
Capital lease obligation - Note 6	310,000	-	(11,850)	298,150	12,197
	<u>\$ 51,060,575</u>	<u>\$ -</u>	<u>\$ (2,063,368)</u>	<u>\$ 48,997,207</u>	<u>\$ 2,214,470</u>
	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Notes payable	\$ 1,792,276	\$ 146,650	\$ (260,978)	\$ 1,677,948	\$ 88,215
Bonds payable	39,478,000	8,185,000	(1,897,000)	45,766,000	1,776,000
Unamortized grants	233,336	-	(11,669)	221,667	-
Unamortized premium	2,305,466	904,371	(124,877)	3,084,960	-
Capital lease obligation - Note 6	-	310,000	-	310,000	11,850
	<u>\$ 43,809,078</u>	<u>\$ 9,546,021</u>	<u>\$ (2,294,524)</u>	<u>\$ 51,060,575</u>	<u>\$ 1,876,065</u>

All the District's bonds and Weber Basin note are secured by the revenues of the District. As part of a 2009 refunding, the District's revenue bonds are also now secured by special assessments on property within special improvement districts. Principal and interest payments are due annually and semi-annually.

Total debt decreased \$2.06 million in 2015 due to scheduled principal payments, as no new debt was issued.

District debt increased \$7.25 million in 2014 as the District issued two new debt instruments.

First, a \$146,250 promissory note with a maturity date of June 2017 was issued in 2014 to acquire a piece of property to use as the site for a future shop. The District paid off this 4.0% interest note in December 2014 using proceeds from the Series 2014 bonds.

Second, the \$8.14 million Series 2014 bonds were issued in December 2014 and sold at a \$904,371 premium resulting in \$8.55 million in construction proceeds. The term is 20 years with interest ranging from 2.0% to 5.0% during the life of the bond.

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The District has spent \$4.25 million in proceeds to construct a new tank, pipeline and pump station in the Promontory development. The Promontory developer will reimburse the District for use of these proceeds through a second assessment on existing undeveloped lots and newly planted lots.

The remaining Series 2014 bond proceeds of \$4.3 million will be used to construct a new well and tank, and upgrade several pumps and booster stations. As of December 31, 2015, the District has spent \$955,940 on these projects.

In addition, the District paid off two zero interest State of Utah loans early during 2014. The loans were secured by net revenues. The annual trustee fees for these state loans exceeded the lost interest earnings from paying them off early.

The district also entered into a capital lease to acquire land in 2014. See note 6.

Debt Coverage

The District continues to comply with its 1.25 debt coverage requirement for its bonding. The debt coverage ratios for 2015 and 2014 were 1.79 and 1.50, respectively.

The District's bond covenant allows it to include the balance in a rate stabilization fund in its coverage calculations. When these funds are included, the 2015 and 2014 coverage ratios increase to 2.15 and 1.88, respectively.

Debt Schedule

The District has issued the following notes and bonds payable as of December 31, 2015 and 2014:

Series	Original Issue	Interest Rate	Maturity Date	Principal Outstanding	
				2015	2014
Notes payable					
Weber Basin Water Conservancy District Note	\$ 2,033,436	4.6%	2029	\$ 1,589,733	\$ 1,677,948
Bonds payable					
Water revenue					
2008	3,026,000	2.0%	2029	2,240,000	2,377,000
2009B	9,045,000	2.0% - 3.5%	2018	4,610,000	6,160,000
2011A	679,000	1.52%	2031	615,000	649,000
2011B	1,278,000	None	2032	1,115,000	1,170,000
2012	27,270,000	2.0% - 5.0%	2033	27,270,000	27,270,000
2014	8,140,000	2.0% - 5.0%	2034	8,140,000	8,140,000
				<u>43,990,000</u>	<u>45,766,000</u>

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Notes to Financial Statements
December 31, 2015 and 2014

Series	Original Issue	Interest Rate	Maturity Date	Principal Outstanding	
				2015	2014
Unamortized grants					
2012	350,000	N/A	2033	210,000	221,667
				<u>210,000</u>	<u>221,667</u>
Unamortized premiums					
2009B	202,474	N/A	2018	65,081	86,775
2012	2,383,832	N/A	2033	1,986,527	2,097,403
2014	904,371	N/A	2034	857,716	900,782
				<u>2,909,324</u>	<u>3,084,960</u>
Capital lease obligations - Note 6					
2014 Zions Lease Purchase	310,000	2.22% - 2.90%	2034	298,150	310,000
				48,997,207	51,060,575
Less current portion				<u>(2,214,470)</u>	<u>(1,876,065)</u>
				<u>\$ 46,782,737</u>	<u>\$ 49,184,510</u>

As of December 31, 2015, the aggregate maturities of notes and bonds payable, including interest, are as follows:

Years Ending December 31,	Capital Lease Obligations		Notes Payable		Bonds Payable		Total Debt Service Requirement
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 12,197	\$ 7,379	\$ 92,273	\$ 77,186	\$ 2,110,000	\$ 1,637,398	\$ 3,936,433
2017	12,553	7,023	96,518	73,128	2,119,000	1,576,368	3,884,590
2018	12,919	6,657	100,958	68,883	1,807,000	1,507,352	3,503,769
2019	13,296	6,279	105,602	64,443	1,861,000	1,456,049	3,506,669
2020	13,685	5,891	110,459	59,799	2,128,000	1,393,223	3,711,057
2021-25	74,633	23,247	633,353	221,505	11,775,000	5,811,096	18,538,834
2026-30	84,343	13,538	450,570	68,996	13,946,000	3,454,923	18,018,370
2031-34	74,524	3,779	-	-	8,244,000	822,579	9,144,882
	<u>\$ 298,150</u>	<u>\$ 73,793</u>	<u>\$ 1,589,733</u>	<u>\$ 633,940</u>	<u>\$ 43,990,000</u>	<u>\$ 17,658,988</u>	<u>\$ 64,244,604</u>

Note 6 - Leases

The District has three operating leases. The first is for an office which is \$30,684 annually, the second is for a backhoe for \$6,168 per year, and the third is for a mini excavator for \$7,500 per year. The total annual outlay is \$44,352. The office and backhoe have operating leases that expire at various dates through December 2016 and the mini excavator will expire in 2018. The District has also acquired land under a long-term capital lease. The lease expires on August 1, 2034.

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
Notes to Financial Statements
December 31, 2015 and 2014

Future minimum lease payments are as follows:

Years Ending December 31,	<u>Capital Lease</u>	<u>Operating Leases</u>
2016	\$ 19,576	\$ 44,352
2017	19,576	7,500
2018	19,576	7,500
2019	19,576	-
2020	19,576	-
2021-25	97,880	-
2026-30	97,880	-
2031-34	<u>78,303</u>	<u>-</u>
Total minimum lease payments	371,943	<u>\$ 59,352</u>
Less portion representing interest	<u>(73,793)</u>	
Present value of minimum lease payments	<u>\$ 298,150</u>	

Total lease expense for the years ended December 31, 2015 and 2014 totaled \$44,352 and \$36,752, respectively.

Leased property under the capital lease for land is \$310,000 at December 31, 2015 and 2014.

Note 7 - Long-term Accrued Liabilities – Developer

The District entered into an agreement with a developer during 2000 regarding the prepayment of municipal use impact fees. Under the terms of this agreement, the developer agreed to prepay the District \$6,300 per Equivalent Residential Connection (ERC) for 240 ERC's. These prepaid impact fees were recorded by the District as an accrued liability to the developer. During 2004, the developer prepaid an additional \$1,201,612 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 an accrued liability 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 accrued liability to this developer for prepaid impact fees as of December 31, 2015 and 2014 was \$1,344,308 and \$1,384,316, respectively.

Other developers had prepaid amounts as of December 31, 2015 and 2014 of \$143,500 and \$150,920, respectively.

Note 8 - Employee Retirement Systems and Pension Plans

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

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

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

Benefits Provided

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

Summary of Benefits by System

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

** with actuarial reductions*

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

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Contributions

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

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.910%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2015, the District reported a net pension asset of \$1,350 and a net pension liability of \$709,392.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1633703%	\$ -	\$709,392
Tier 2 Public Employees System	0.0445357%	1,350	-
Total Net Pension Asset / Liability		<u>\$1,350</u>	<u>\$709,392</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2015, the District recognized pension expense of \$177,043. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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December 31, 2015 and 2014

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$22,868
Change in assumptions	-	69,547
Net difference between projected and actual earnings on pension plan investments	16,138	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	303,014	-
Total	\$319,152	\$92,415

\$303,014 was reported as deferred outflows of resources related to pension results from contributions made by the District prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2016	\$ (18,928)
2017	(18,928)
2018	(18,928)
2019	(18,019)
2020	(236)
Thereafter	(1,238)

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 – 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rate are a function of the member’s gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Mountain Regional Water Special Service District
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Notes to Financial Statements
December 31, 2015 and 2014

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return	
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 1,712,036	\$ 708,042	\$ (127,600)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

Note 9 - Related Party Transactions

Summit County, a related party, made loans for working capital to the District from 2000 until 2003 and shared services of an employee from 2002 to 2007. As of December 31, 2015 and 2014, the amount payable to Summit County for these services was \$98,803.

In 2012, the District entered into an agreement with Snyderville Basin Recreation District (SBRD), which is also a component unit of Summit County created as a service district. The terms of this agreement include the sale of property by the District to SBRD for \$28,000.

The contract stipulates that if construction of a certain freeway underpass could be funded by multiple governmental entities, the \$28,000 would be applied towards the construction cost of the underpass if the District exercised its option to install an underground waterline casing through the underpass during construction. If the District had chosen to exercise this option it would have been required to contribute an additional \$100,000 towards the underpass construction costs.

In 2013, the necessary multi-agency funding was obtained. In 2014, the District chose not to exercise its option as the cost to install the pipeline casing was prohibitive. Thus, the \$28,000 was released to the SBRD in 2015. As of December 31, 2014 this \$28,000 was held in an escrow account by SBRD.

Note 10 - Contingencies

The District records liabilities resulting from claims and legal actions when they become fixed or determinable in amount. The District is currently the defendant in one pending lawsuit. Legal counsel is of the opinion that potential claims against the District resulting from such litigation not covered by insurance do not pose a threat of significant liability to the District.

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District is a member of the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah local governments. The District pays an annual premium to ULGT for its general insurance coverage. During 2015, the District increased its liability coverage limit from \$5.0 million to \$10.0 million and also added coverage for new infrastructure and equipment. During 2014, the District did not increase any level of insurance coverage, but did add coverage for new infrastructure and equipment. Settlement amounts have not exceeded insurance coverage for the current year or prior years.

Note 12 - Adoption of a New Standard

As of January 1, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at December 31, 2014, as previously reported	\$ 41,923,654
Net pension liability at December 31, 2014	(881,899)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	275,147
Net position at January 1, 2015, as restated	\$ 41,316,902



Required Supplementary Information
December 31, 2015

**Mountain Regional Water Special
Service District**
A Component Unit of Summit County, Utah

Mountain Regional Water Special Service District
 A Component Unit of Summit County, Utah
 Schedule of the Proportionate Share of the Net Pension Liability
 Year Ended December 31, 2014

	Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	0.1633703%	0.0445357%
Proportionate share of the net pension liability (asset)	\$709,392	(\$1,350)
Covered employee payroll	\$1,359,927	\$218,559
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	52.2%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	103.5%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Mountain Regional Water Special Service District
 A Component Unit of Summit County, Utah
 Schedule of Contributions
 Year Ended December 31, 2015

	Noncontributory System	Tier 2 Public Employees System
Contractually required contribution	\$281,678	\$21,336
Contributions in relation to the contractually required contribution	(\$281,678)	(\$21,336)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$1,412,164	\$256,656
Contributions as a percentage of covered employee payroll*	19.95%	8.31%

*Contributions as a percentage of covered employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



CPAs & BUSINESS ADVISORS

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mountain Regional Water Special Service District which comprise the statement of net position as of December 31, 2015 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain Regional Water Special Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain Regional Water Special Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain Regional Water Special Service 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountain Regional Water Special Service 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
May 12, 2016



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report in Accordance with the *State Compliance Audit Guide*
on Compliance with General State Compliance Requirements and Internal Control
over Compliance**

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

Report On Compliance with General State Compliance Requirements

We have audited Mountain Regional Water Special Service District's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Mountain Regional Water Special Service District for the year ended December 31, 2015.

General state compliance requirements were tested for the year ended December 31, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meeting Act

The District did not receive any state funding classified as a major program during the year ended December 31, 2015.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of Mountain Regional Water Special Service District's compliance.

Opinion on General State Compliance Requirements

In our opinion, Mountain Regional Water Special Service District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Mountain Regional Water Special Service District for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Mountain Regional Water Special Service District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountain Regional Water Special Service District's internal control over compliance with the compliance requirements that could have a direct and material effect on Mountain Regional Water Special Service District or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountain Regional Water Special Service District's internal control over compliance.

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

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

Purpose of Report

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



Ogden, Utah
May 12, 2016

Mountain Regional Water Special Service District
A Component Unit of Summit County, Utah
Schedule of Findings and Responses
December 31, 2015

2015 - None