

MIDVALLEY IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

For The Year Ended December 31, 2022

Together with Independent Auditor's Report



**MIDVALLEY IMPROVEMENT DISTRICT
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CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Kedington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Midvalley Improvement District
Midvale, Utah

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Midvalley Improvement District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midvalley Improvement District as of December 31, 2022, change in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 April 20, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Salt Lake City, Utah
April 20, 2023

MIDVALLEY IMPROVEMENT DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Midvalley Improvement District (the District) would like to present to the readers of our financial statements this discussion and analysis of the District's financial performance for the year ended December 31, 2022. This report should be read in conjunction with the District's financial statements and accompanying notes to enhance the reader's understanding of the District's financial activities.

OVERVIEW OF THE DISTRICT

The District was established in 1947 under the laws of the State of Utah for the purpose of constructing and maintaining the public sanitary sewer collection and conveyance services to residents situated within its boundaries. All of the wastewater (sewer) from the District flows to the South Valley Water Reclamation Facility treatment plant. The District's boundaries include parts of Midvale City, Sandy City, Murray City, Cottonwood Heights, and unincorporated areas of Salt Lake County.

The District's mission and purpose is to provide the highest quality sanitary sewer service in the most cost-efficient manner possible for our customers.

The District is a separate legal entity and governed by a three-member Board of Trustees. The Board of Trustees is elected by the public and has decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of the close of the most recent year by \$24,330,853. Of this amount, \$9,331,142 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's Net Position increased by \$700,739 which was larger than the anticipated budgeted net loss of \$333,000 by \$1,033,739. The majority of the unanticipated net income was from not spending \$218,583 on budgeted sewage treatment fees, not spending \$487,839 on budgeted pipe-lining, the Utah Retirement Systems reducing the future retirement liability by \$227,801 (a non-cash reduction of expense), and receiving non-cash donations \$100,792 in the form of sewer lines.
- The District raised the monthly sewer service fees from \$23.20 to \$24.50 starting in January 2022, and raised the impact fees from \$1,686 to \$1,695 starting in January 2022. The increase in sewer fees and impact fees were approved by the Board of Trustees in November 2019. The additional revenue will be used to replenish the District's reserves over the next five years.
- The District spent \$511,852 on a new Vactor jet cleaning truck. In December 2022, the District sold the old jet cleaning truck for \$335,000 reducing the net cost of the new jet cleaning truck to \$176,852.
- Due to the high demand for construction services and construction related material shortages, the District only spent \$712,161 of the \$1,200,000 budget for sewer lining and manhole rehabilitation projects. The District will rollforward \$600,000 of the 2022 and 2021 unspent sewer system rehabilitation budgets into the next year.

**MIDVALLEY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements.

The District's financial statements on a single enterprise fund basis. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges. The accrual method of accounting is used for this fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. These statements provide both long-term and short-term information about the District's overall financial status.

The financial statements are comprised of three statements and related notes to the financial statements.

The *Statement of Net Position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how the District's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are considered regardless of when the cash is received or paid.

The *Statement of Cash Flows* presents information on the cash receipts, cash payments, and change in cash resulting from operations, investing, and financing activities. This statement answers questions such as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

The *Notes to Financial Statements* provide additional information that is essential for a full understanding of the information provided in the financial statements. The notes are part of the basic financial statements.

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

The focus of the District's financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements that may arise. As applicable, the net position section on the statement of net position is divided between invested in capital assets, net of related debt, restricted net position, and unrestricted net position. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay any debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate any debt or liabilities.

**MIDVALLEY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Net Position

The net position section on the *Statement of Net Position* is divided between invested in capital assets, net of related debt, restricted net position, and unrestricted net position.

Net investment in capital assets - this largest portion of the District's net position (62%) reflects the District's investment in capital assets (e.g. land, buildings, equipment, sewer collection pipe, and treatment plant capacity rights)

Unrestricted net position - this portion of the District's net position (38%) reflects the unrestricted portion of net position, which is available for the District to pay operating expenses and purchase capital assets.

FINANCIAL STATEMENT ANALYSIS

The following is a condensed presentation of the *Statement of Net Position*:

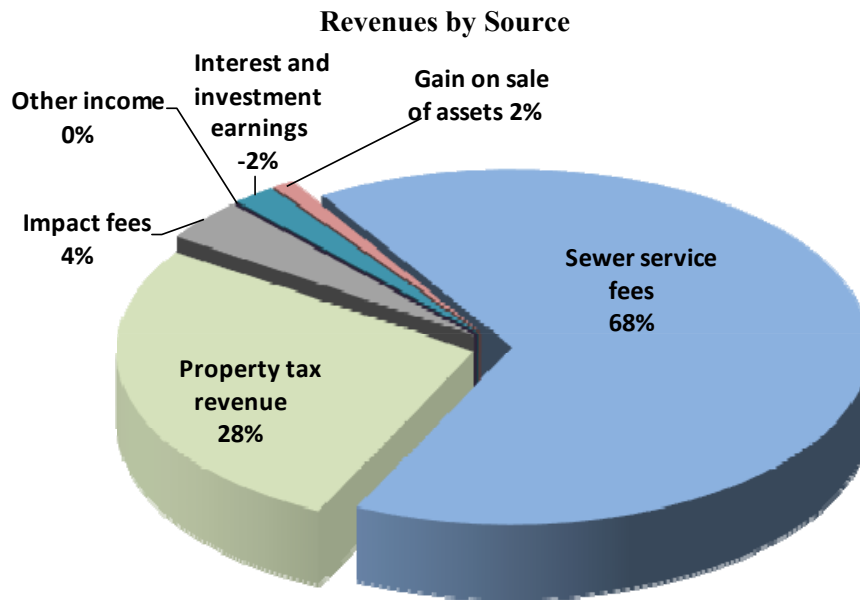
	<u>2022</u>	<u>2021</u>
Assets:		
Current Assets and Other Assets	\$ 10,599,953	\$ 9,663,921
Capital Assets, Net	<u>14,999,711</u>	<u>14,909,328</u>
Total Assets	<u>25,599,664</u>	<u>24,573,249</u>
Deferred Outflows of Resources	<u>224,512</u>	<u>185,531</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 25,824,176</u>	<u>\$ 24,758,780</u>
Liabilities:		
Current Liabilities	\$ 540,217	\$ 342,382
Non-Current Liabilities	<u>444,775</u>	<u>531,860</u>
Total Liabilities	<u>984,992</u>	<u>874,242</u>
Deferred Inflows of Resources	<u>508,331</u>	<u>254,424</u>
Net Position:		
Net Investment in Capital Assets	14,999,711	14,909,328
Unrestricted	<u>9,331,142</u>	<u>8,720,786</u>
Total Net Position	<u>24,330,853</u>	<u>23,630,114</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 25,824,176</u>	<u>\$ 24,758,780</u>

MIDVALLEY IMPROVEMENT DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL STATEMENT ANALYSIS (Continued)

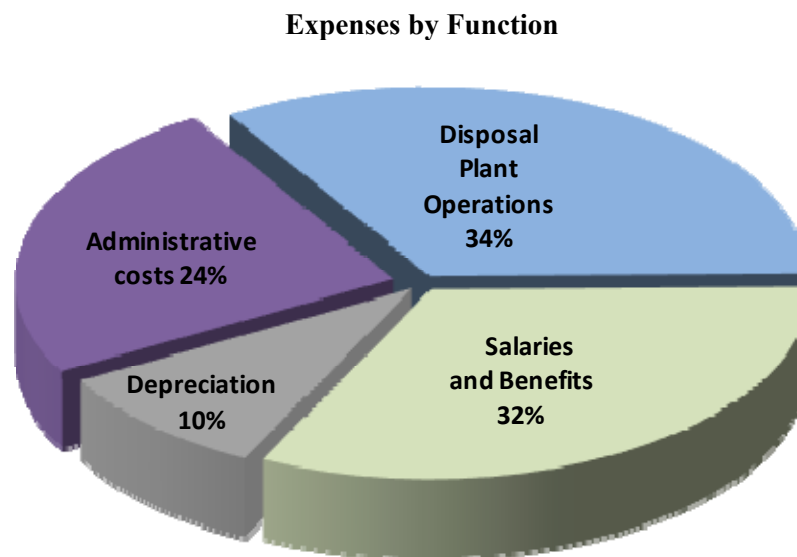
Overview of District Revenues

The District has two primary sources of revenue: sewer service fees from customers and property taxes composing primarily of real property taxes and motor vehicle taxes.



Overview of District Expenditures

The District has four major costs of operation: disposal plant operations, salaries and benefits, depreciation expense, and administrative costs. Depreciation expense represents the estimated cost or portion of existing system used for operations used during the year.



**MIDVALLEY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL STATEMENT ANALYSIS (Continued)

Overview of Major Revenues, Expenses, and Contributed Capital

The following is a condensed presentation of the *Statement of Revenues, Expenses and Changes in Net Position*:

	2022	2021
Revenues:		
Sewer service fees	\$ 3,432,430	\$ 3,212,221
Property taxes	1,428,964	1,427,361
Impact fees	199,190	84,076
Other income	19,151	12,461
Interest and investment earnings	(97,322)	(2,994)
Gain on disposal of assets, net	72,387	23,649
Total Revenues	5,054,800	4,756,774
Expenses:		
Disposal plant operations	1,500,417	1,409,815
Salaries and benefits	1,447,827	1,479,273
Depreciation	432,746	415,301
Administrative costs	1,073,863	272,412
Total Expenses	4,454,853	3,576,801
Net Income	599,947	1,179,973
Capital Contributions	100,792	122,399
Change in Net Position	700,739	1,302,372
Net Position - Beginning of Year	23,630,114	22,327,742
Net Position - End of Year	\$ 24,330,853	\$ 23,630,114

Capital Contributions

Capital Contributions are made in the form of main sewer lines which are dedicated to the District by developers. The District requires the developer to design and install, at the developer's expense, sanitary sewer lines for each new subdivision. The design and installation of the lines are reviewed and approved by the District's Engineer. The lines are subject to the District's specifications and are inspected by the District during construction. The District requires testing and approval before the lines are accepted into the system.

Overview of Capital Assets & Debt Administration

The primary area associated with capital costs within the District is with the repair of sewer lines, rehabilitation of manholes, increase in sewer line capacity, treatment plant construction assessments, and collection line maintenance.

**MIDVALLEY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

FINANCIAL STATEMENT ANALYSIS (Continued)

Pipe-lining is trenchless sewer line replacement process whereby the older or damaged sewer lines are lined with a high-density polyethylene that essentially creates new pipe within the old one. Pipe-lining costs are much lower than the traditional replacement costs of digging up the old or damaged pipes and replacing them with new ones.

The District has identified significant capital projects for the next five years as follows:

Costs for Maintenance Projects: in 2023, the District is planning to replace certain sewer lines for an estimated cost of \$814,000.

Costs for Capacity Deficiencies: in 2024, the District has budgeted to replace certain sewer pipes with larger pipes to increase the line's capacity for an estimated cost of \$2,818,000. In 2027, the District has budgeted to upgrade certain lines for an estimated cost of \$1,982,000.

Costs for Collection Line Maintenance: in 2023, the District has budgeted \$1,200,000 for pipe-lining and for manhole rehabilitation projects. This budget amount is a combination of the 2022 unspent budget and 2023 budget. The District has budgeted \$600,000 a year for the years 2024 through 2027 for pipe-lining and manhole rehabilitation projects.

Costs for Treatment Plant Capital: In next the five years, the District anticipates paying about \$2,460,000 for the District's proportional share of the treatment plant capital upgrades. The capital upgrades will not increase the capacity of the treatment plant.

The District anticipates that the District's cash and investment reserves will be sufficient to pay for the above capital projects without incurring any debt.

OTHER SIGNIFICANT MATTERS

South Valley Water Reclamation Facility

The District has an intangible asset of sewer treatment capacity rights in the South Valley Water Reclamation Facility (SVWRF) treatment plant. These capacity rights consist of the right to have up to 3.8 million gallons a day (MGD) of the District's wastewater flow into the treatment plant.

The District has participated with SVWRF since 1976 when it was organized for the purpose of operating a regional sewage treatment facility for the benefit of two cities and three special districts. SVWRF was originally organized in 1978 with an Inter-local Agreement under the State of Utah, and in 2004 became a separate legal entity as an interlocal district under Utah State Law.

SVWRF is administered by a five-member board consisting of one board member from each of the five participating governmental entities. Each board member has an equal vote regardless of the capacity rights owned. The Board is responsible for adopting a budget and provides the financing for Facility operations.

**MIDVALLEY IMPROVEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

OTHER SIGNIFICANT MATTER (Continued)

The following is a recap of the related capacity rights in the treatment plant as of December 31, 2022.

	<u>Percent</u>	<u>MGD</u>
South Valley Sewer District	32.40%	16.20
West Jordan City Corporation	36.44%	18.22
Sandy Suburban Improvement District	17.32%	8.66
Midvalley Improvement District	7.68%	3.84
Midvale City Corporation	<u>6.16%</u>	<u>3.08</u>
Total	<u>100.00%</u>	<u>50.00</u>

The District is billed monthly for their proportional share of the operating costs of SVWRF’s treatment plant. This expense can be observed on the *Statement of Revenues, Expenses and Changes in Net Position* under the Operating Expenses as Disposal Plant Operations.

Economic Factors and Next Year’s Budget

On November 14, 2022, the District adopted the Operating Budget (the budget) for next calendar year ending December 31, 2023. The details of the budget, including the economic and other major factors considered, can be found on the District’s website at mvdst.com/district-info/.

As of the date of issuance of these financial statements and as pertaining to the 2023 budget, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or the results of operations (revenues, expenses, and other changes in net position).

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Midvalley Improvement District’s finances for all those with an interest in the government’s finances concerning any of the information provided in this report or requests for additional information should be addressed to the Midvalley Improvement District, Chief Financial Officer, P.O. Box 145 (160 East 7800 South), Midvale, Utah 84047.

BASIC FINANCIAL STATEMENTS

**MIDVALLEY IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2022**

ASSETS

Current Assets

Cash and cash equivalents	\$	2,801,160
Receivables:		
Service fees		44,229
Property taxes		109,601
Certified liens on property		13,226
SVWRF - Sewer Treatment Plant		188,817
Prepaid items		30,219
Prepaid disposal plant operations		178,935
Restricted cash and cash equivalents - developer deposits		78,980
Total Current Assets		3,445,167

Non-Current Assets

Capital Assets Not Being Depreciated:		
Land		300,370
Intangible asset - SVWRF capacity rights		3,414,424
Capital Assets Being Depreciated:		
Buildings and improvements, net		1,104,820
Sewer collection system, net		8,648,144
Equipment and vehicles, net		1,531,953
Total Capital Assets		14,999,711
Other Non-Current Assets		
Prepaid disposal plant operations		2,285,219
Restricted cash and cash equivalents - developer deposits		14,805
Investments		4,485,005
Net pension asset		369,757
Total Non-Current Other Assets		7,154,786
Total Non-Current Assets		22,154,497

Total Assets		25,599,664
Deferred Outflow of Resources Relating to Pensions		224,512
Total Assets and Deferred Outflow of Resources	\$	25,824,176

The notes to the financial statements are an integral part of this statement.

**MIDVALLEY IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2022**

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	164,933
Unearned service fees		166,669
Developer deposits (payable from restricted cash)		78,980
Compensated absences		129,635
Total Current Liabilities		540,217

Non-Current Liabilities

Developer deposits (payable from restricted cash)		14,805
Compensated absences		429,970
Total Non-Current Liabilities		444,775

Total Liabilities 984,992

Deferred Inflows of Resources Relating to Pensions 508,331

Total Liabilities and Deferred Inflow of Resources 1,493,323

Net Position

Net investment in capital assets		14,999,711
Unrestricted		9,331,142
Total Net Position		24,330,853

Total Liabilities, Deferred Inflow of Resources, and Net Position \$ 25,824,176

The notes to the financial statements are an integral part of this statement.

MIDVALLEY IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

Operating Revenues:	
Sewer service fees	\$ 3,432,430
Other operating income	<u>18,327</u>
Total Operating Revenues	<u><u>3,450,757</u></u>
Operating Expenses:	
Disposal plant operations	1,500,417
Salaries and wages	939,050
Payroll taxes	70,592
Repairs and maintenance	741,351
Employee benefits	438,185
Depreciation	432,746
Office supplies and expense	153,216
Auto and truck expense	57,875
Insurance	53,357
Engineering fees	40,046
Legal and accounting	<u>28,018</u>
Total Operating Expenses	<u><u>4,454,853</u></u>
Operating Loss	<u><u>(1,004,096)</u></u>
Non-Operating Revenues (Expenses):	
Property tax revenue	1,428,964
Impact fees	199,190
Interest earnings	30,458
Investment earnings	85,727
Investment earnings - decrease in fair value	(213,507)
Gain on disposal of assets, net	72,387
Other revenues	<u>824</u>
Total Non-Operating Revenues (Expenses):	<u><u>1,604,043</u></u>
Net Income Before Contributed Capital	<u><u>599,947</u></u>
Contributed Capital - Sewer Lines	<u><u>100,792</u></u>
Change In Net Position	700,739
Total Net Position, Beginning of Year	<u><u>23,630,114</u></u>
Total Net Position, End of Year	<u><u><u>24,330,853</u></u></u>

The notes to the financial statements are an integral part of this statement.

**MIDVALLEY IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 3,461,597
Payments to disposal plant and suppliers	(2,215,370)
Payments to employees for salaries and benefits	<u>(1,604,792)</u>
Net Cash From Operating Activities	<u>(358,565)</u>
Cash Flows From Noncapital Financing Activities	
Property tax receipts	1,374,269
Receipts from other sources	824
Developer deposits - net change	<u>(48,665)</u>
Net Cash From Noncapital Financing Activities	<u>1,326,428</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(872,450)
Proceeds from sale of capital assets	522,498
Impact fees received	<u>199,190</u>
Net Cash From Capital and Related Financing Activities	<u>(150,762)</u>
Cash Flows From Investing Activity	
Interest earnings from PTIF	<u>30,458</u>
Net Cash From Investing Activity	<u>30,458</u>
Net Increase (Decrease) in Cash and Cash Equivalents	847,559
Cash and Cash Equivalents, Beginning of Year	<u>2,047,386</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,894,945</u></u>

The notes to the financial statements are an integral part of this statement.

**MIDVALLEY IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended December 31, 2022**

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating Loss	\$ (1,004,096)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	432,746
Amortization of Prepaid Disposal Plant Operations	178,937
Net pension obligation (Utah Retirement Systems)	(187,801)
Increase in compensated absences	29,035
(Increase) Decrease in current assets	
Receivables	48,315
Prepaid items	(19,051)
Increase (Decrease) in current liabilities	
Accounts payable	150,848
Accrued liabilities	1,801
Unearned service fees	10,701
Net Cash From Operating Activities	<u>\$ (358,565)</u>

Noncash Investing, Capital, and Financing Activities

Investment earnings, including a fair value decrease of \$213,507	\$ (127,780)
Contributed capital sewer lines received during the year	\$ 100,792

The notes to financial statements are an integral part of this statement.

MIDVALLEY IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Midvalley Improvement District (the District) was formed by Salt Lake County in 1947 under the laws of the State of Utah for the purpose of constructing and maintaining the public sanitary sewer collection and conveyance services to residents situated within its boundaries. The District formally began operations in January 1955. The District was originally named Salt Lake City Suburban Sanitary District No. 2. On March 9, 2005, the District adopted a resolution changing the name to Midvalley Improvement District. The District's boundaries include parts of Midvale City, Sandy City, Murray City, Cottonwood Heights, and unincorporated areas of Salt Lake County.

The District is a separate legal entity and governed by a three-member Board of Trustees. The Board of Trustees is elected by the public and has decision making authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The District is not a component unit of any other government nor does the District have any component units.

Summary of Significant Accounting Policies:

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The *Governmental Accounting Standards Board* (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by GASB.

The following is a summary of the more significant policies.

Financial Statement Presentation and Basis of Accounting

The District prepares its financial statements on an enterprise fund basis, which is a type of proprietary fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for reserves for capital maintenance, public policy, management control, accountability, or other purposes.

Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred. Non-exchange transactions, in which the District receives value without directly giving value in return, includes property tax revenue and contributed sewer lines.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers to the system. Operating expenses for the District include the cost of sewage treatment, personnel, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of these financial statements, cash and cash equivalents are defined as cash on hand, demand deposits, and funds invested in the State Treasurer’s Investment Fund (PTIF) which are available for withdrawal the next business day.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment earnings.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Allowance for Doubtful Accounts

The District has not set up an allowance for doubtful accounts for receivable of sewer service fees. Unpaid fees are certified to Salt Lake County and attached as liens on the related customer’s real estate.

Capital Assets

Capital assets include land, construction in process, buildings and improvements, sewer collection system, equipment, and vehicles. Capital assets are defined by the District with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. The District records capital assets additions at cost when purchased or constructed. Normal maintenance and repairs, which do not increase the capacity or efficiency of the asset or increase its estimated useful life, are charged to expense as incurred.

The District receives capital contributions in the form of sewer collection lines which are constructed by developers and conveyed to the District. The District requires developers to design and install, at the developer’s expense, sewer collection lines for each new subdivision. The design and installation of the lines are reviewed and approved by the District’s engineer. The sewer collection lines are recorded at the estimated fair value, provided by the District’s engineer, as of the date the lines are completed and accepted.

The gain or loss from the disposal of assets is included as non-operating revenues or expenses. Interest incurred during the construction phase of capital assets of the District is included as part of the capitalized value of the assets constructed. Land and construction in process are not depreciated. Other capital assets are depreciated using the straight-line method over estimated useful lives of the assets as follows:

<u>Capital Asset Classes</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	10-40 years
Sewer collection system	50 years
Equipment and vehicles	1-10 years

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Intangible Assets

The District has an intangible asset of sewer treatment capacity rights in the South Valley Water Reclamation Facility (SVWRF) treatment plant. These capacity rights consist of the right to have up to 3.8 million gallons a day (MGD) of the District's wastewater flow into the SVWRF treatment plant.

Vacation Time and Sick Leave Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Each employee may carry forward up to one year's worth of earned vacation days, after which, if the vacation days are not used, the hours will be paid out at the current hourly pay rate of the employee. Sick leave may accrue up to 1,200 hours. Employees with a minimum of 600 sick leave hours can: (1) cash out of any hours in excess of 600 hours any time during the year, (2) use any hours in excess of 600 hours as additional personal time off, up to a maximum amount of their annual vacation time, (3) continue to accrue their unused medical leave up to a maximum of 1,200 hours. At the end of the fiscal year, all unused medical leave in excess of 1,200 hours will be paid out at the current hourly pay rate of the employee.

Property Tax Revenues

Property tax rates are set in June of each year by the Board of Trustees for the District. All property taxes levied by the District are assessed and collected by Salt Lake County. Taxes are attached as an enforceable lien as of January 1, are levied as of October 1, and are due November 30. The District's certified tax rate in Salt Lake County for 2022 was 0.000448, all of which was used for operations and maintenance.

Post-Retirement Benefits

The District offers post-retirement health insurance benefits to employees based on their length of employment. Expenditures for post-retirement health care benefits are recognized on a monthly basis as the premiums are paid. For the year ending December 31, 2022, the District paid \$7,051 in costs associated with these post-retirement benefits.

Unearned Service Fees

This liability represents sewer fees billed to customers in advance, for which payments have been received but not earned.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) including additions to and 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.

MIDVALLEY IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources and inflows of resources, certain items that were previously reported as assets and liabilities.

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

The District reports deferred outflows of resources relating to pension, which consists of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

The District reports deferred inflows of resources relating to the pension which consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other unrecognized items not yet charged to pension expense.

Budgets

The annual budget is adopted by resolution of the Board of Trustees. All annual appropriations are maintained on an accrual basis and lapse at fiscal year-end.

New Accounting Standard

During the year, the District adopted GASB Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District currently has no transactions or arrangements that qualify as a lease.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2022 and the revenues and expenses during the reporting year then ended. Actual results could differ from those estimates made in the preparation of the financial statements.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

Cash includes amounts in demand deposits accounts. Cash equivalents are funds held in an investment pool at the Utah Public Treasurers' Investment Fund (PTIF) that is managed by the Utah State Treasurer's Office. Funds held by the PTIF are considered as a demand deposit account.

Deposits and Investment Policy

The District's deposits and investment policy is to follow the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State Money Management Council (as described below); therefore, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management (*Utah Code*, Title 51, Chapter 7) Act in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government-sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed-rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Investment Advisors

The District uses a certified investment advisor to assist in investing only in securities that are allowable under the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7). This investment advisor has discretionary authority to make decisions to buy and sell investments for the District. All investments are recorded in the name of the District and are held in a custodial account with Principal Financial Group.

Public Treasurers' Investment Fund (PTIF)

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7).

The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Deposits and Investment Risk Disclosures

The District's cash, cash equivalents, and investments are exposed to certain risks as outlined below:

Custodial Credit Risk – 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 comply with the Utah Money Management Act (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 Utah State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District has funds deposited in a bank which is covered up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022, \$677,369 of the amount held in deposit was uninsured and uncollateralized. The District also has deposits of \$1,967,326 in the PTIF which are not insured or otherwise guaranteed.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments: is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does have a formal policy for custodial credit risk.

All investments other than bank deposits or funds invested in the state treasurer’s fund are to be held by a third party with securities delivered on delivery vs. purchase basis. As of December 31, 2022, the District safe-kept all investments with custodian counterparty Principal Financial Group, and all investments which are held by the counterparty’s trust department or agent and are registered in the District’s name. The District does not believe they are exposed to custodial credit risks related to their investments.

Interest Rate Risk: is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less.

The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

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 Utah Money Management Act, as previously discussed. For cash deposits, the District uses only qualified depositories. For funds considered cash equivalents, 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’s Office and subject to the Utah Money Management Act and the Utah Money Management Council requirements.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The District’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The District has determined that its investments have no concentration of credit risk.

At December 31, 2022, Midvalley Improvement District does not hold more than 10 percent of total investments in any single security concentration other than U. S. Government Treasuries and Agencies.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

The District’s investments have the following attributes:

Investments	Fair Value	Weighted Average Maturity (Years)	Credit Rating
Certificate of Deposits	\$ 2,318,754	2.22	A+
Corporate Notes	498,895	0.97	A+
US Treasuries	1,021,988	1.23	AAA
Money Market	645,368	-	N/A
Total Investments	<u>\$ 4,485,005</u>		

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit; and,
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At December 31, 2022, the District had the following recurring fair value measurements.

Investments by Fair Value Level	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
US Treasuries	\$ 1,021,988	\$ -	\$ -	\$ 1,021,988
Certificate of Deposits	-	2,318,754	-	2,318,754
Corporate Notes	-	498,895	-	498,895
Money Market	645,368	-	-	645,368
Total Investments By Fair Value Level	<u>\$ 1,667,356</u>	<u>\$ 2,817,649</u>	<u>\$ -</u>	<u>\$ 4,485,005</u>

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

Debt and equity securities classified in *Level 1* are valued using prices quoted in active markets for those securities.

For securities that generally have market prices from multiple sources, it can be challenging to select the best individual price, and the best source one day may not be the best source on the following day. The solution is to report a “consensus price” or a weighted average price for each security.

The District receives market prices for these securities from a variety of industry standard data providers (e.g., Bloomberg), security master files from large financial institutions, and other third-party sources. Through the help of an investment advisor, the District uses these multiple prices as inputs into a distribution-curve based algorithm to determine the daily market value.

- U.S. Treasuries and U.S. Agencies are quoted prices for identical securities in markets that are active.

Debt securities classified in *Level 2* are valued using the following approaches:

- Corporate and Municipal Bonds and Commercial Paper: quoted prices for similar securities in active markets.
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities’ relationship to benchmark quoted prices.
- Bond Mutual Funds: published fair value per share (unit) for each fund.

The following is a summary of the District’s deposits as of December 31, 2022:

	Carrying Amount
As reported on the Statement of Net Position:	
Cash and cash equivalents (current asset)	\$ 2,801,160
Restricted cash and cash equivalents:	
Developer deposits - current term	78,980
Developer deposits - long term	14,805
Total Cash and Cash Equivalents	\$ 2,894,945
Utah Public Treasurer's Investment Fund (PTIF)	\$ 1,967,326
Cash on deposit	927,619
Total Cash and Cash Equivalents	\$ 2,894,945

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 RECEIVABLES

The following is a description of the major receivables of the District:

- *Service Fees* - are receivables from customers for sewer service fees.
- *Property Taxes* – this receivable is from Salt Lake County for property taxes collected after year end on the District’s behalf.
- *Certified Liens on Property* – is the uncollected total amount of past due accounts receivable for service fees, unpaid connection fees and penalties which have been certified to the Salt Lake County Treasurer’s office for attachment to the related real estate property as liens. No reserve for uncollectible accounts has been established, as the property cannot be sold or transferred without first clearing those liens from the records.
- *SVWRF* – this receivable is from South Valley Water Reclamation Facility and represents a refund of a portion of the year’s disposal plant operations expense.

NOTE 4 PREPAID DISPOSAL PLANT OPERATIONS

From 2006 to 2008 the District paid \$1,914,320 to South Valley Water Reclamation Facility (SVWRF) to provide SVWRF with funds to build certain portions of the sewage treatment plant. The District has recorded these payments as an asset on the *Statement of Net Position* as Prepaid Disposal Plant Operations. The District is amortizing \$80,585 a year over the estimated prepayment period until the year 2030. The amortized amount is included in the Disposal Plant Operations expense on the *Statement of Revenues, Expenses, and Changes in Net Position*.

From 2018 to 2021 the District paid \$1,967,002 to SVWRF to upgrade to the treatment plant to comply with requirements of the Environmental Protection Agency and the Utah State Department of Water Quality. The District has recorded these payments as an asset on the *Statement of Net Position* as Prepaid Disposal Plant Operations. The District started amortizing these prepaid amounts in July 2021 and will be amortizing \$98,350 a year over the estimated prepayment period until the year 2041. The amortized amount is included in the Disposal Plant Operations expense on the *Statement of Revenues, Expenses, and Changes in Net Position*.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 CAPITAL ASSETS

The following summarizes the District's capital assets for the year ended December 31, 2022:

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Capital Assets not Being Depreciated:				
Land	\$ 300,370	\$ -	\$ -	\$ 300,370
SVWRF capacity rights	3,414,424	-	-	3,414,424
Total Capital Assets not Being Depreciated	3,714,794	-	-	3,714,794
Capital Assets Being Depreciated:				
Buildings and improvements	1,986,140	-	-	1,986,140
Sewer collection system	14,349,210	100,792	-	14,450,002
Equipment and vehicles	1,697,371	872,450	(571,135)	1,998,686
Total Capital Assets Being Depreciated	18,032,721	973,242	(571,135)	18,434,828
Less: Accumulated Depreciation:				
Buildings and improvements	(831,269)	(50,051)	-	(881,320)
Sewer systems	(5,524,211)	(277,647)	-	(5,801,858)
Equipment and vehicles	(482,707)	(105,048)	121,022	(466,733)
Total Accumulated Depreciation	(6,838,187)	(432,746)	121,022	(7,149,911)
Total Capital Assets Depreciated, net	11,194,534	540,496	(450,113)	11,284,917
Total Capital Assets, net	\$ 14,909,328	\$ 540,496	\$ (450,113)	\$ 14,999,711

Depreciation expense of \$432,746 was charged to operating expense for the year ended December 31, 2022.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 INTANGIBLE ASSET - SVWRF CAPACITY RIGHTS

The District has an intangible asset of sewer treatment capacity rights in the SVWRF treatment plant. These capacity rights consist of the right to have up to 3.8 million gallons a day (MGD) of District’s wastewater flow in and be treated at the SVWRF treatment plant. The District accounts for the SVWRF Capacity Rights as a capital asset that is not being depreciated, as shown in Note 5 of these financial statements.

The District has participated with SVWRF since 1976 when it was organized for the purpose of operating a regional sewage treatment facility for the benefit of two cities and three local sewer districts. SVWRF was originally organized in 1978 with an Inter-local Agreement under the State of Utah, and in 2004 became a separate legal entity as a special district under State Law.

SVWRF is administered by a five-member board consisting of one board member from each of the five participating governmental entities. Each board member has an equal vote regardless of the capacity rights owned. The Board is responsible for adopting a budget and provides the financing for SWRF operations.

The following entities have the rights to the SVWRF capacity at December 31, 2022 as follows:

	Percent	MGD
South Valley Sewer District	32.40%	16.20
West Jordan City Corporation	36.44%	18.22
Sandy Suburban Improvement District	17.32%	8.66
Midvalley Improvement District	7.68%	3.84
Midvale City Corporation	6.16%	3.08
Total	100.00%	50.00

The District is billed monthly for their proportional share of the operating costs of SVWRF’s treatment plant. This expense can be observed on the *Statement of Revenues, Expenses and Changes in Net Position* under the Operating Expenses as Disposal Plant Operations.

NOTE 7 LONG-TERM DEBT

The following is a summary of the changes in the compensated absences payable for the year ended December 31, 2022:

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022	Due Within One Year
Compensated Absences	\$ 528,769	\$ 154,188	\$ (123,352)	\$ 559,605	\$ 129,635
Total	\$ 528,769	\$ 154,188	\$ (123,352)	\$ 559,605	\$ 129,635

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (the Systems). The 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 Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the System's Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems 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.

The Utah Retirement Systems issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Summary of Benefits by System

Benefits provided: The Systems provides retirement, disability, and death benefits. Retirement benefits are as follows:

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service and/or Age Eligible for Benefit</u>	<u>Benefit Percentage Per Year of Service</u>	<u>COLA**</u>
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% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit.

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.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

Contributions Rate Summary

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 System's Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contribution rates as of December 31, 2022 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System:			
111 Local Government Div - Tier 2	N/A	16.01%	0.18%
Noncontributory System:			
15 Local Government Div - Tier 1	N/A	17.97%	N/A
Tier 2 DC Only:*			
211 Local Government	N/A	6.19%	10.00%

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

For the fiscal year ended December 31, 2022, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 95,588	N/A
Tier 2 Public Employees System	22,824	-
Tier DC Only System	<u>20,859</u>	<u>N/A</u>
Total Contributions	<u>\$ 139,271</u>	<u>\$ -</u>

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

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

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

At December 31, 2022, the District reported a net pension asset of \$369,757 and a net pension liability of \$0.

The measurement date for following is December 31, 2021.

	Net Pension Asset	Net Pension Liability
Noncontributory System	\$ 366,704	\$ -
Tier 2 Public Employees System	3,053	-
Total Net Pension Asset / Liability	<u>\$ 369,757</u>	<u>\$ -</u>

	Proportionate Share 12-31-2021	Proportionate Share 12-31-2020	Change (Decrease)
Noncontributory System	0.0640296%	0.0620734%	0.0019562%
Tier 2 Public Employees System	0.0072133%	0.0078533%	(0.0006400)%

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021, and rolled-forward using generally accepted actuarial procedures.

The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2022, the District recognized pension expense of (\$48,781).

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,891	\$ 393
Changes in assumptions	37,264	2,396
Net difference between projected and actual earnings on pension plan investments	-	501,261
Changes in proportion and differences between contributions and proportionate share of contributions	8,086	4,281
Contributions subsequent to the measurement date	139,271	-
Total	\$ 224,512	\$ 508,331

The District reported \$139,271 as deferred outflows of resources related to pensions results from contributions made by the District prior to the District's fiscal year end, but subsequent to the measurement date of December 31, 2021.

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 Outflow (Inflows) of Resources
2022	\$ (83,215)
2023	(139,908)
2024	(120,587)
2025	(82,777)
2026	602
Thereafter	2,796
Total	\$ (423,089)

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2022, the District recognized pension expense of (\$59,396). At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,408	\$ -
Changes in assumptions	34,417	2,367
Net difference between projected and actual earnings on pension plan investments	-	493,718
Changes in proportion and differences between contributions and proportionate share of contributions	6,307	4,281
Contributions subsequent to the measurement date	95,587	-
Total	<u>\$ 174,719</u>	<u>\$ 500,366</u>

The District reported \$95,587 as deferred outflows of resources related to pensions results from contributions made by the District prior to the District's fiscal year end, but subsequent to the measurement date of December 31, 2021.

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
2022	\$ (81,813)
2023	(138,106)
2024	(119,283)
2025	(82,032)
2026	-
Thereafter	-
Total	<u>\$ (421,234)</u>

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

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

For the year ended December 31, 2022, the District recognized pension expense of \$10,615. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,483	\$ 393
Changes in assumptions	2,847	29
Net difference between projected and actual earnings on pension plan investments	-	7,543
Changes in proportion and differences between contributions and proportionate share of contributions	1,779	-
Contributions subsequent to the measurement date	43,683	-
Total	\$ 49,792	\$ 7,965

The District reported \$43,683 as deferred outflows of resources related to pensions results from contributions made by the District prior to the District's fiscal year end, but subsequent to the measurement date of December 31, 2021.

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
2022	\$ (1,403)
2023	(1,803)
2024	(1,304)
2025	(745)
2026	602
Thereafter	2,796
Total	\$ (1,857)

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.50%
- Salary Increases 3.25% to 9.25%, average, including inflation
- Investment rate of return 6.85% net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020.

The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively. The actuarial assumptions used in the January 1, 2021, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long- Term Expected Portfolio Real Rate of Return
Equity Securities	37%	6.58%	2.43%
Debt Securities	20%	-0.28%	-0.06%
Real Assets	15%	5.77%	0.87%
Private Equity	12%	9.85%	1.18%
Absolute Return	16%	2.91%	0.47%
Cash and Cash Equivalents	0%	-1.01%	0.00%
Totals	100%		4.89%
		Inflation	2.50%
		Expected Arithmetic Nominal Return	7.39%

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

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

Discount rate: The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the System's Board.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (5.85%) or 1% higher (7.85%) than the current rate:

System	1% Decrease 5.85%	Discount Rate 6.85%	1% Increase 7.85%
Noncontributory System	\$ 197,188	\$ (366,704)	\$ (837,163)
Tier 2 Public Employees System	18,190	(3,053)	(19,363)
Total	<u>\$ 215,378</u>	<u>\$ (369,757)</u>	<u>\$ (856,526)</u>

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

Defined Contribution System: The Defined Contribution Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The District participates in the Defined Contribution Savings Plan for the 401(k) Plan, the 457(b) Plan, and the Roth IRA Plan with the Utah Retirement Systems.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 RETIREMENT PLAN (Continued)

Employer contributions to the Utah Retirement Defined Contribution Savings Plans are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
401(k) Plan			
Employer Contributions	\$ 99,891	\$ 95,355	\$ 91,252
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
ROTH IRA Plan			
Employer Contributions	n/a	n/a	n/a

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District has commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and there have not been any claims resulting from these risks in any of the past three years.

NOTE 10 SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 20, 2023 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Required supplementary information includes financial information and disclosures that are required by GASB, but are not considered part of the basic financial statements.

MIDVALLEY IMPROVEMENT DISTRICTS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Measurement Date of December 31, 2021
December 31, 2022
Last Eight Years*

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Proportion of the net pension liability (asset)		
2021	0.0640296%	0.0072133%
2020	0.0620734%	0.0078533%
2019	0.0610869%	0.0086443%
2018	0.0677878%	0.0060362%
2017	0.0646676%	0.0054786%
2016	0.0577092%	0.0060134%
2015	0.0540158%	0.0128656%
2014	0.0510039%	0.0179330%
Proportionate share of the net pension liability (asset)		
2021	\$ (366,704)	\$ (3,053)
2020	\$ 31,840	\$ 1,130
2019	\$ 230,229	\$ 1,944
2018	\$ 499,171	\$ 2,585
2017	\$ 283,328	\$ 483
2016	\$ 370,564	\$ 671
2015	\$ 305,648	\$ (28)
2014	\$ 221,471	\$ (543)
Covered employee payroll		
2021	\$ 492,397	\$ 133,913
2020	\$ 464,316	\$ 125,564
2019	\$ 447,676	\$ 120,143
2018	\$ 518,544	\$ 70,209
2017	\$ 487,556	\$ 53,653
2016	\$ 434,284	\$ 49,314
2015	\$ 395,582	\$ 83,042
2014	\$ 385,232	\$ 88,347
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		
2021	-74.47%	-2.28%
2020	6.86%	0.90%
2019	51.43%	1.62%
2018	96.26%	3.68%
2017	58.11%	0.90%
2016	85.33%	1.36%
2015	77.27%	-0.03%
2014	57.50%	-0.06%

MIDVALLEY IMPROVEMENT DISTRICTS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(CONTINUED)
Measurement Date of December 31, 2021
December 31, 2022
Last Eight Years*

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Plan fiduciary net position as a percentage of the total pension liability		
2021	108.70%	103.80%
2020	99.20%	98.30%
2019	93.70%	96.50%
2018	87.00%	90.80%
2017	91.90%	97.40%
2016	87.30%	95.10%
2015	87.80%	100.20%
2014	90.20%	103.50%

** In accordance with GASB 68, the District will eventually disclose a 10 year history of their proportionate share of the net pension liability (asset). This schedule will be built prospectively. This schedule shows the eight years of information that is available from the URS.*

MIDVALLEY IMPROVEMENT DISTRICTS
SCHEDULE OF CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS
December 31, 2022
Last Nine Years*

	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Noncontributory System					
2022	\$ 95,587	\$ 95,587	\$ -	\$ 525,417	18.19%
2021	90,946	90,946	-	492,397	18.47%
2020	85,759	85,759	-	464,316	18.47%
2019	82,686	82,686	-	447,676	18.47%
2018	95,775	95,775	-	518,544	18.47%
2017	90,052	90,052	-	487,556	18.47%
2016	80,212	80,212	-	434,284	18.47%
2015	73,064	73,064	-	395,582	18.47%
2014	68,771	68,771	-	385,232	17.85%
Tier 2 Public Employees System**					
2022	\$ 22,824	\$ 22,824	\$ -	\$ 142,293	16.04%
2021	21,346	21,346	-	133,913	15.94%
2020	19,753	19,753	-	125,564	15.73%
2019	18,745	18,745	-	120,143	15.60%
2018	10,791	10,791	-	70,209	15.37%
2017	8,054	8,054	-	53,653	15.01%
2016	7,353	7,353	-	49,314	14.91%
2015	12,400	12,400	-	83,042	14.93%
2014	12,979	12,979	-	88,347	14.69%
Tier 2 Public Employees DC Only System					
2022	\$ 20,859	\$ 20,859	\$ -	\$ 324,455	6.43%
2021	20,924	20,924	-	312,767	6.69%
2020	20,160	20,160	-	301,344	6.69%
2019	19,668	19,668	-	293,990	6.69%
2018	18,456	18,456	-	275,870	6.69%
2017	17,470	17,470	-	261,138	6.69%
2016	15,227	15,227	-	227,610	6.69%
2015	10,456	10,456	-	156,030	6.70%
2014	5,908	5,908	-	96,071	6.15%

* In accordance with GASB 68, the District will eventually disclose a 10 year history of their schedule of contributions. This schedule will be built prospectively. This schedule shows nine years of information.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created July 1, 2011.

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

The notes to the required supplemental information are an integral part of this schedule.

**MIDVALLEY IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE UTAH RETIREMENT SYSTEMS**

Notes:

1. Only a limited number of years of information is available from the Utah Retirement Systems. The number of years of information available is notated in the title of the schedules.
2. Contributions as a percentage of covered payrolls may be different than the board-certified rate due to rounding and other administrative issues.

Changes in Assumptions:

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.