

**METROPOLITAN WATER DISTRICT
OF PROVO CITY**

FINANCIAL STATEMENTS

JUNE 30, 2023

DRAFT

METROPOLITAN WATER DISTRICT OF PROVO CITY

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INDEPENDENT ACCOUNTANT'S REPORT

Members of the Board and Management
Metropolitan Water District of Provo City
Provo, Utah

Management is responsible for the accompanying financial statements of the business-type activities of Metropolitan Water District of Provo City (the District) as of and for the year ended June 30, 2023 and related notes to the financial statements, which collectively comprise the Districts' basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing 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. Such information is the responsibility of management.

Gilbert & Stewart

Provo, Utah

November 22, 2023

BASIC FINANCIAL STATEMENTS

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METROPOLITAN WATER DISTRICT OF PROVO CITY

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

Current Assets	
Cash and Investments	\$ 1,848,401
Total Current Assets	<u>1,848,401</u>
Noncurrent Assets	
Capital Assets	
Capital Assets (Net of Accum Depreciation)	<u>2,031,129</u>
Total Assets	<u>\$ 3,879,530</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 2,206
Deferred Revenue	<u>207,493</u>
Total Current Liabilities	<u>209,699</u>
Total Liabilities	<u>\$ 209,699</u>

NET POSITION

Net Investment in Capital Assets	\$ 2,031,129
Unrestricted	<u>1,638,702</u>
Total Net Position	<u><u>\$ 3,669,831</u></u>

METROPOLITAN WATER DISTRICT OF PROVO CITY

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2023

Operating Revenues	
Water Sales and Rental	<u>\$ 415,090</u>
Operating Expenses	
Water Assessments	323,410
Wages and Taxes	18,596
Other	<u>15,043</u>
Total Operating Expenses	<u>357,049</u>
Operating Income (Loss)	<u>58,041</u>
Non-Operating Revenues (Expenses)	
Interest	54,524
Contribution from Provo City	15,000
Miscellaneous Revenue	<u>50,597</u>
Total Non-Operating Revenue (Expenses)	<u>120,121</u>
Change in Net Position	178,162
Net Position - Beginning of Year	<u>3,491,669</u>
Net Position - End of Year	<u><u>\$ 3,669,831</u></u>

METROPOLITAN WATER DISTRICT OF PROVO CITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

Cash Flows from Operating Activities		
Water Sales and Rental	\$ 437,783	
Payments for Goods and Services	(339,538)	
Payments to Employees	(17,200)	
Net Cash Provided by Operating Activities		81,045
Cash Flows from Non-Capital and Related Financing Activities		
Contribution from Provo City		15,000
Cash Flows from Capital and Related Financing Activities		
Principal Payments		(22,799)
Cash Flows from Investing Activities		
Interest Income		54,524
Net Increase in Cash and Cash Equivalents		127,770
Cash and Cash Equivalents - Beginning		1,720,631
Cash and Cash Equivalents - Ending		<u>\$ 1,848,401</u>
Reconciliation of Operating Income to Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ 58,041	
Depreciation	157	
Increase(Decrease) in Deferred Revenue	22,693	
Increase(Decrease) in Accounts Payable	154	
Net Cash Provided by Operating Activities	<u>\$ 81,045</u>	
Noncash Capital Activities		none

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Metropolitan Water District of Provo City (the District) conform to accounting principles generally accepted in the United State of America applicable to local governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

Metropolitan Water District of Provo City was formed as a special district to locate, develop, and protect water resources. Under the present form of government, administrative and legislative powers are vested in a governing board. The District is not a component unit of another entity and has no component units.

The District provides services to locate, develop, and protect water resources for Provo City.

B. Basis of Accounting

The District records revenues and expenses using the accrual basis of accounting. The District operates as an enterprise fund, which accounts for activities in a manner similar to private business where the Board has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability. The District applies all applicable private-sector guidance in accounting and reporting for its operations to the extent that those standards do not conflict with or contradict guidance of governmental standards.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

The District distinguishes operating revenues and expenses from non-operating items by whether or not transactions are in connection with the District's purpose of locating, developing, and protecting water resources.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments consist of amounts deposited with the Utah Public Treasurer's Investment Fund.

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY (*Continued*)

2. Capital assets

Capital assets, which include water shares, are reported in the financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives: Buildings – 40 years, Wells – 20 years, and Equipment – 5 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

3. Long-term obligations

In the proprietary fund, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position.

4. Deferred outflows/inflows of resources

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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

The District currently reports no deferred outflows or deferred inflows.

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY (*Continued*)

5. Net Position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

D. Revenue and Expenditures/Expenses

Proprietary funds operating and non-operating revenues and expenses

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 in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

NOTE 2 - CASH AND INVESTMENTS

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. The District considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. District funds are deposited in qualified depositories as defined by the Act. The District does not have a deposit policy for custodial credit risk.

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS (*Continued*)

As of June 30, 2023, the District's custodial credit risk for deposits was as follows:

<u>Depository Account</u>	<u>Custodial Credit Risk</u>	Balance June 30, 2023
Regular Checking Account	Insured	\$ 479,754

B. Investments

The District's investments are invested in the Utah Public Treasurers' Investment Fund. As of June 30, 2023 the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Utah Public Treasurer's Investment Fund	Less than one year	<u>\$1,368,649</u>

Investments-Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance to the Utah Money Management Act which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments-Credit Risk. The District follows the requirements of the Utah Money Management Act (Section 51, chapter 7 of the Utah Code) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah. The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The District has no investment policy that would further limit its investment choices. The PTIF is currently not rated.

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

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS (*Continued*)

Investments-Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and corporate obligations to 5% of the District's total portfolio with a single issuer.

Public Treasurers Investment Fund-External Investment Pool. The District invests in the external investment pool which is administered by the Treasurer of the State of Utah. State agencies, municipalities, counties, and local governments within the state are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized, which are high-grade securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances.

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis.

Twice a year, at June 30 and December 31, the investments are valued at fair value.

As of June 30, 2023 the District had \$1,368,649 invested in the PTIF which had a fair value of \$1,368,752 for an unrealized gain of \$103. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investment in this external pool is deemed to be the amortized cost of the investment.

NOTE 3 - RETIREMENT PLAN

The District has no employees covered by a retirement plan.

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS

	Balance 6/30/2022	Increases	Decreases	Balance 6/30/2023
Business-type activities				
Capital assets not being depreciated				
Water Stock	\$ 2,029,554	\$ -	\$ -	\$ 2,029,554
Total capital assets not being depreciated	<u>2,029,554</u>	<u>-</u>	<u>-</u>	<u>2,029,554</u>
Capital assets being depreciated				
Buildings	6,285	-	-	6,285
Wells	38,115	-	-	38,115
Equipment	8,628	-	-	8,628
Total capital assets being depreciated	<u>53,028</u>	<u>-</u>	<u>-</u>	<u>53,028</u>
Less accumulated depreciation for:				
Buildings	4,553	157	-	4,710
Wells	38,115	-	-	38,115
Equipment	8,628	-	-	8,628
Total accumulated depreciation	<u>51,296</u>	<u>157</u>	<u>-</u>	<u>51,453</u>
Total capital assets being depreciated - net	<u>1,732</u>	<u>(157)</u>	<u>-</u>	<u>1,575</u>
Business-type activities capital assets - net	<u>\$ 2,031,286</u>	<u>\$ (157)</u>	<u>\$ -</u>	<u>\$ 2,031,129</u>

NOTE 5 – WATER RIGHTS AND WELLS

The District owns a well and share in the following companies:

	<u>Cost</u>
Provo River Water Users Association	\$ 1,913,297
Other Water Rights	10,047
Thorn Well and Related Water Rights	<u>106,210</u>
Total	<u>\$ 2,029,554</u>

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt:

<u>Balance</u> <u>7/1/2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Due Within</u> <u>One Year</u>
<u>\$ 73,395</u>	<u>\$ -</u>	<u>\$ (73,395)</u>	<u>\$ -</u>	<u>\$ -</u>

This contract is payable to Provo River Water Users Association (PRWUA) for the District's share of the Deer Creek Dam construction project and is interest free and due in yearly installments until the year 2023. The rate for payments on the contract is \$2.85 per share annually on 8000 shares. The Central Utah Water Conservancy District (CUWCD) pays a portion of the debt per an operating agreement with PRWUA. CUWCD also pays United States Bureau of Reclamation (Reclamation) a certain amount for storage in Deer Creek Reservoir per an operating agreement. Reclamation will apply this payment as a back-end credit against the debt due. The contract was completely paid in 2023.

NOTE 7 – REVENUES FROM CONTRACTS, DEFERRED REVENUE, CONCENTRATION OF CREDIT RISK AND ECONOMIC DEPENDENCY

Most of the District's revenues are derived from a contract with Provo City. The deferred revenue from Provo City is \$207,493. The annual revenue from Provo City water assessments is \$414,986.

NOTE 8 - 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. The District is covered under the various insurance policies of Provo City, which are mainly through Travelers Insurance. The plans cover liability, theft, damages, and other losses. A minimal deductible applies in the event of any loss. No claims have been reported as of yearend. No claims have been paid in the current or prior three years.

NOTE 9 – SUBSEQUENT EVENTS

In preparing these financial statements, Metropolitan Water District of Provo City has evaluated events and transactions for potential recognition of disclosure through November 22, 2023, the date the financial statements were available to be issued.

METROPOLITAN WATER DISTRICT OF PROVO CITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – COMMITMENTS

In 1994 Metropolitan Water District of Provo City signed an agreement with Central Utah Water Conservancy District for a perpetual allotment of 1800 acre-feet of water. Payments are estimated at \$369,500 per year for 50 years. The payments are for the annual use of the water and are not considered payments on a long-term debt. The District has the discretion each year to take the water or make its allotment available to Central Utah Water Conservancy District. If the water is made available to Central Utah Water Conservancy District, no payment is required in that year. As of now, no water has been used and no payments have been made under this contract.

The District has an annual agreement to rent office space for \$150 per month from Provo City.

NOTE 11 – ASSESSMENTS

The Provo River Water Users Association (the "Association") is a water resources agency incorporated under Utah law with 100,000 shares of no-par value, assessable capital stock, of which all were outstanding during 2022/2023. Each share carries a pro rata right to use all water made available by the Association annually up to a limit of one acre foot per share of stock. The District holds 8,000 shares of stock (8%) and is a minority holder of shares. The annual assessments paid to the Association were \$292,240.