MIDVALLEY SEWER DISTRICT

Formerly Known As
Midvalley Improvement District

OPERATING BUDGET

For the Year Ended December 31, 2026

MIDVALLEY
SEWER DISTRICT

160 East 7800 South, Midvale, Utah 84047
https://MidvalleySewer.gov

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2026 OPERATING BUDGET
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MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

DISTINGUISHED BUDGET PRESENTATION AWARD

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Midvalley Improvement District
Utah

For the Fiscal Year Beginning

January 01, 2025

Christopher P. Morrill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Midvalley Sewer District, Utah for its annual budget for the fiscal year beginning January 1, 2025. This award is the highest form of recognition in governmental budgeting in the United States. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

ADOPTED BUDGET

2026 Operating Budget

The following is the District's adopted operating budget for 2026 that was adopted by the District's Board of Trustees on November 12, 2025. The budget complies with all legal and regulatory requirements and has been filed with the Utah State Auditor's office. This budget has been presented in this first section of this budget document for the benefit of those interested people that do not require background information, analysis, and other information.

	Budget 2026	Current Year Estimated 2025	Amended Adopted Budget 2025	2024
Operating Revenues:				
Sewer Service Fees	$ 5,401,000	$ 4,885,173	$ 4,860,000	$ 4,385,504
Finance Charges & Other Income	31,000	45,073	22,000	25,139
Total Operating Revenues	5,432,000	4,930,246	4,882,000	4,410,643
Operating Expenses:				
Sewage Treatment Expenses	3,234,000	2,291,384	2,316,000	1,977,072
Salaries & Wages	1,170,000	1,146,547	1,133,000	1,058,570
Employee Benefits	785,000	777,255	748,000	635,312
System Rehabilitation	900,000	868,560	800,000	917,432
Repairs & Maintenance	79,000	70,823	79,000	40,415
Depreciation	459,000	476,499	477,000	438,462
Office & Administrative	233,000	177,210	221,000	201,732
Insurance	57,000	45,172	57,000	51,040
Auto & Truck Expense	70,000	41,259	70,000	47,281
Legal & Accounting Services	42,000	37,358	42,000	30,111
Engineering	50,000	39,811	3,000	8,280
Election	-	3,000	30,000	-
Total Operating Expenses	7,079,000	5,974,877	5,976,000	5,405,707
Total Loss From Operations	(1,647,000)	(1,044,631)	(1,094,000)	(995,064)
Non-Operating Revenues & Expense				
Property Tax Revenue	1,472,000	1,459,832	1,465,000	1,465,701
Impact Fees	200,000	766,115	750,000	132,326
Other Non-Operating Revenue	260,000	677,168	669,000	439,718
Total Non-Operating Revenues & Expense	1,932,000	2,903,115	2,884,000	2,037,745
Net Income (Loss)	$ 285,000	$ 1,858,484	$ 1,790,000	$ 1,042,681

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

BUDGET MESSAGE

To The Board of Trustees,

It is our privilege to present the Midvalley Sewer District (District) 2026 Proposed Budget. The purpose of this budget is to provide citizens and other interested parties with reliable and transparent financial information about the budget. This budget represents our best efforts to forecast revenues, expenditures, and costs of capital projects for the year 2026 and several subsequent years.

Through the process of planning and preparing the budget, the District is given the opportunity to assess its plans and goals for the coming and future years. The process also provides direction for management and staff. The 2026 budget is designed to meet the goals of the District's mission statement including the objective to provide the highest quality service in the most cost-efficient manner possible.

The primary responsibilities and operations of the District are to maintain the sewer collection lines from the customer's locations to the sewer treatment plant, and to pay the District's proportionate share of the sewer treatment plant operating costs. As we embark on our 71st year of operations, the District now has over 12,500 connections. For over two decades, the District has maintained a staff of just 9 employees. As the District has grown and added 1,000s of new connections, the same level of staff has been able to keep up with the demand without adding additional personnel costs, which is a cost savings for the District.

The District has developed and achieved specific long-term goals and strategies such as employing qualified and well-trained management and staff; properly maintaining the existing infrastructure through preventative maintenance; using available technology in an effort to operate all programs in the District at the highest level of effectiveness and efficiency; and having our general manager serve on the board of trustees of the sewer treatment plant to keep the District's treatment costs as low as possible.

During the preparation of this budget the District has addressed the following proprieties and issues that also include some short-term budgetary factors for the upcoming year:

- The District has budgeted for the following capital-related projects:
    - The District has identified maintenance projects to replace certain sewer lines with costs estimated at $1,232,000 in the next 5 years.
    - The District has identified certain sewer main lines that need to be replaced to increase capacity in the next 1 to 5 years with costs estimated at $9,610,000.
    - District has budgeted $900,000 for the maintenance and rehabilitation of sewer pipes and manholes in 2026, and an estimated amount of $4,780,000 in the next five years. These rehabilitation projects will include putting fiberglass lining (CIPP) in the sewer pipes and manholes to ensure their reliability and the structural integrity.
    - The District's share of maintenance and capital projects to update the treatment plant equipment and operations with estimated costs at $2,680,000 in the next five years.
    - The District's share of maintenance projects to clean, repair, and CIPP the northern main sewer trunk lines and the canal siphon that flow into the treatment plant with estimated costs at $5,147,000 in the next five years.

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

BUDGET MESSAGE

- As interest rates on the District's saving and investment accounts remained higher than expected during 2025, this has a positive impact on the District. The District does not have any interest related debts (due to the pay-as-you go policy), therefore, the increase in interest rates in recent years did not affect the District. The District does have savings accounts and reserve investment accounts that have seen a dramatic increase in interest income. The District anticipates that the interest rates will remain at moderately higher levels into 2026.

- The District is concerned over the level of inflation in the past several years in the local area and the effects on the operating budget. The District is budgeting conservatively for the effects on the operating budget of possible higher inflation or even a possible economic recession.

- The District has observed that wages in the wastewater industry have increased due to operators retiring and a lack of interest in wastewater employment. Multiple governmental entities that surround the District have labor shortages for employees with wastewater experience and they are currently hiring. The District pays competitive wages to ensure employee retention. The District does not anticipate this labor shortage will be resolved in the next few years.

- District has determined that fiscal sustainability is critical to keeping the customer sewer rates as low as possible in the long term. The District is very proud that the District has no debt and is actively managing the cash reserves to pay for future capital projects and unexpected contingencies.

- During 2022, the District hired an engineering firm to perform a sewer service fee rate study. As a result, the District adopted a five-year plan to raise customer service fees to fund ongoing pipe-lining and manhole rehabilitation maintenance, necessary capital projects, fund assessments from the sewer treatment plant for upgrades, and fund the financial reserves. In 2026, the sewer service fee will increase by 10% from $33.80 to $37.20 a month for an equivalent residential unit.

- During 2025, the District completed a sewer line expansion project on 7500 South from State Street to 400 East for a cost of $2,905,875 which included unanticipated necessary change-orders of $192,975. In the prior year, the project was estimated and budgeted at $1,338,000. This resulted in the District paying out $1,567,875 than was originally budgeted in the prior year.

A more in-depth discussion of all the above proprieties and issues is provided in this budget document.

We would like to thank the Trustees for providing the vision, resources, encouragement, and support necessary to achieve the goals of the District. We would also like to extend our gratitude to the District employees who through their hard work and dedication have enabled the District to meet its goals and objectives for 2025.

Jared Syme
General Manager

Brent Christensen, CPA
Chief Financial Officer

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Overview of the District

History

The District was formed by Salt Lake County (the County) in 1947 under the laws of the State of Utah to construct and operate a sewage collection system in a portion of unincorporated Salt Lake County. Before that time, residents of the area were on septic tanks, cesspools, and sewage vaults. In 1948, Salt Lake County (the County) passed a law that requires all residential and commercial buildings within 200 feet of a public sewer line must connect to that sewer line. The new District was tasked with building a new sewer collections system within their boundaries. The County established the Salt Lake County Advisory Board of the District, consisting of local citizens and County commissioners to assist the County in planning and preparation for the sewage collection system. The oldest sewage lines identified were installed in 1953 by the County.

The District's first trustee meeting was held on December 31, 1954. The District started operations in January 1955 and used Midvale City's offices and personnel to do accounting, engineering, inspections, and use of their sewage treatment plant. In January 1955, the District accepted bids for the construction of the sewer system. In March 1955, The District sold sewer revenue bonds in the amount of $675,000 and started construction on the major sewer lines, the majority of which are still used today. The District took over from the County a few existing sewer lines and the accounts of the residences and businesses that used those lines.

In March 1955 the District started accounting and financial operations and the District had a monthly service fee of $3.50 and a .000375 property tax mill levy. In 2025, the monthly service fee is $33.80 and a .000401 property tax mill levy. In 1955, the District collected $8,019 in property tax revenues and in 2025 the District is budgeted to collect $1,465,000. In 1955, sewage treatment costs were $1,700 and in 2025 those costs are budgeted to be $2,191,000. The first audit was for the period of March 1, 1955 to March 31, 1957.

The Board of Salt Lake County Commissioners of Salt Lake County acted as the governing authority of the District until the Salt Lake County Commissioners appointed three trustees that lived within the boundaries of the District in April 1958. Those three appointed trustees were members of the Salt Lake County Advisory Board of the District, all of whom had served for at least three years on that advisory board.

A remarkable local family legacy of service to the District is the first Chairman of the Board of Trustees was J. Albert Smith, who also served for at least 3 years on the County Advisory Board of the District. In 1958 he was appointed by the County to the Board of Trustees (Board) and he served for 18 years from April 1958 to July 1976. His son J. Draney Smith was elected and served for 13 years on the Board from July 1976 to August 1989. Sondra Smith, the wife of J. Draney Smith, was elected in November 2016 and is the chair of the Board. Sondra Smith was also the Finance Officer of the District for 28 years. Since the District began operations in 1955, a Smith family member has either served on the Board or been in the of management for 68 years of the District's 70 years (97%).

An interesting observation from a Board meeting on January 10, 1955, the minutes read, "… gave a report of problems of financing a District as large as this District with the sparse population therein". In 2025, the District is now approximately 98% built-out and has paid off all their bonds and debt.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

The District's boundaries include portions of Midvale City, Sandy City, Murray City, Cottonwood Heights, and unincorporated areas of Salt Lake County.

The original wastewater flows from the District were treated by Midvale City's treatment plant for many years. In 1978, the District entered into an interlocal cooperative agreement with two other sewer districts and two cities to form South Valley Water Reclamation Facility (the Facility), which constructed and now maintains a regional sewage and wastewater treatment plant. In 2004, the Facility became a separate legal entity and the District went from being an owner to owning sewage treatment capacity rights in the Facility.

The Entity

The District is not a component unit of any other government nor does the District have any component units.

Governance

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, to approve and amend the operating budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

South Valley Water Reclamation Facility (Treatment Plant)

The District has 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 3.84 million gallons a day (MGD) of the District's wastewater flow into the treatment plant. These capacity rights represent 7.68% of the capacity of the treatment plant.

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. Therefore, the District has 20% of the voting rights while only owning 7.68% of the capacity rights. This Board is responsible for adopting a budget and provides the financing for Facility operations.

The District is billed monthly for their proportional share of the operating costs of SVWRF's treatment plant. This expense is the District's largest expense and is shown in the District's budgeting information and the financial statements on the *Statement of Revenues, Expenses, and Changes in Net Position* under the caption Sewage Treatment Expenses.

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

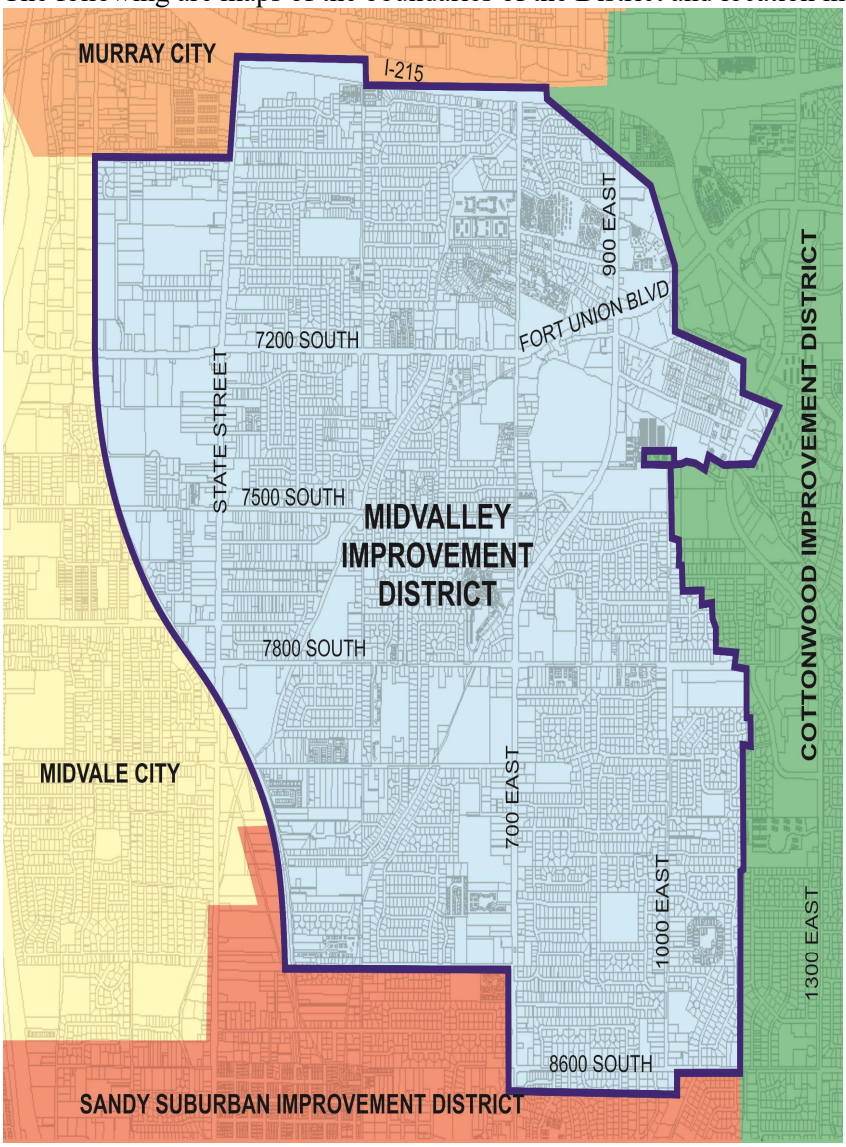
INTRODUCTION AND OVERVIEW

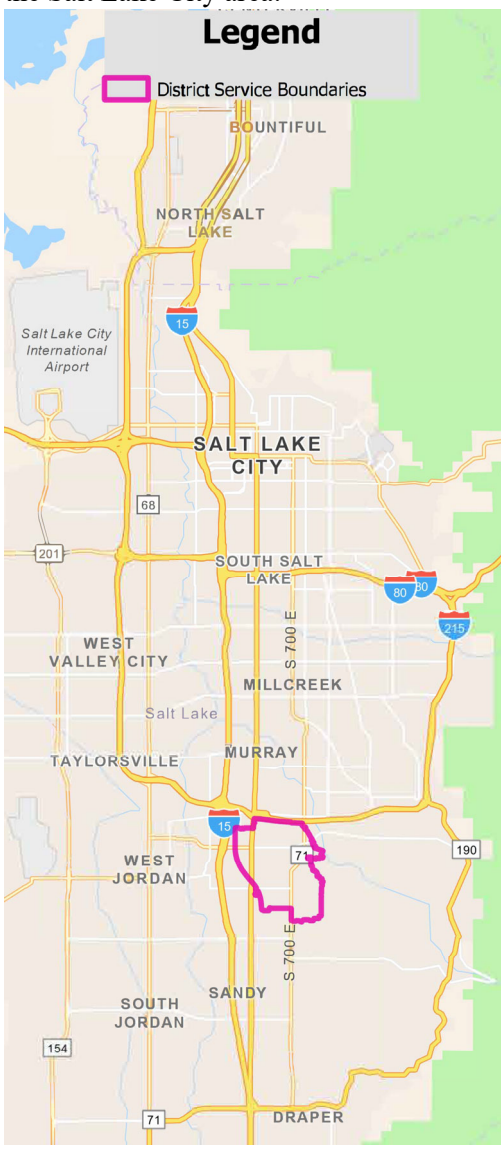
Location of the District

The District is located in the Salt Lake City area. The District's sewer system service area is approximately 2,601 acres or 4 square miles. The District's sewer collection service area, as shown below, includes portions of:

- Midvale City (65% of service area),
- Sandy City (33% of service area),
- Murray City (2% percent of service area).
- Cottonwood Heights City (less than 1%)
- Unincorporated portions of Salt Lake County (less than 1%)

The following are maps of the boundaries of the District and location in the Salt Lake City area:



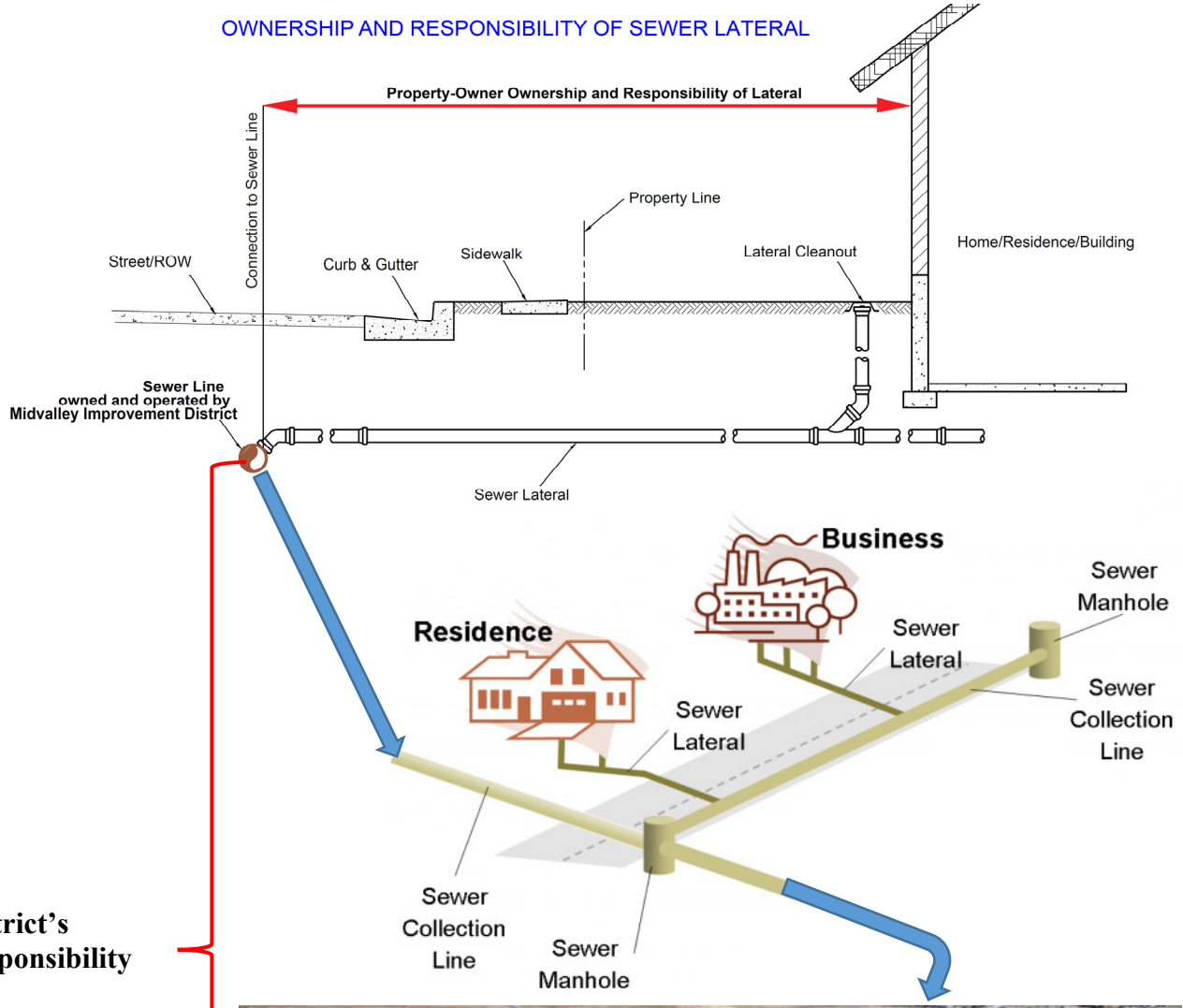


MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Overview of District's Responsibility for Wastewater Collections



District's Responsibility

South Valley Water Reclamation Facility. The District's sewer treatment plant

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Strategic Goals and Strategies

Mission Statement

It is the mission of Midvalley Sewer District (the District) to provide the highest quality sanitary sewer service in the most cost-efficient manner possible for our customers.

Long-Term Strategies

To accomplish the District's mission, the District has the following specific long-term strategies:

- Employ qualified and well-trained management and staff with a low percentage of turn-over.
- Maintain the existing infrastructure of the District through preventative maintenance and timely replacement of outdated equipment and collection system components.
- Employ available technology in an effort to operate all programs in the District at the highest level of effectiveness and efficiency.
- Maintain rates and fees at the lowest level possible for customers while generating necessary funds to maintain a high level of service and adequately fund appropriate reserves.
- Represent the District's interest at the SVWRF treatment plant to keep sewage treatment costs as low as possible.

Long-Term Fiscal Sustainability

To accomplish the District's mission statement and the aforementioned long-term strategies, the District has determined that fiscal sustainability is critical. To see how the District plans for long-term fiscal sustainability, see the Financial Summaries area, of this budget document, and subsections Cash and Investment Reserves, Long-Range Financial Plans, and Five-Year Forecast – Statement of Revenues, Expenses and Changes in Net Position.

Budget Philosophy

Several principles combine to form the District's philosophy related to payment for the services provided by the District:

- Customer sewer service rates are based on the cost of the service plus an additional amount determined to replenish the District's reserves used for capital projects and contingencies.
- Operating costs are funded on a "pay-as-you-go" basis. Annual costs for operating the District's facilities are recovered from customers through the payment of sewer service fees and property taxes. The District does not use debt to pay for current operating costs.
- Capital projects and SVWRF (treatment plant) assessments are funded with the District's reserves. A portion of the sewer service rate is anticipated to replenish the reserve after the funds are used.

Controlling Costs of Sewer Service

The District has determined that controlling costs is paramount and allows the District to better maintain adequate, affordable, and stable rates. Adequate rates, in turn, provide for the timely maintenance of infrastructure and the satisfaction of mandated regulatory and operating requirements.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Short-Term Factors Influencing the Budgetary Decisions

The District considered many short-term factors in developing and adopting the operating budget for 2026. The significant short-term factors considered were:

Increase in Sewer Treatment Plant Expense

The District's largest expense is the fees for treatment of the wastewater that flows into SVWRF treatment plant. The District is billed monthly for their proportional share of the operating costs of SVWRF's treatment plant. These costs have increased every year for the last 10 years. The District anticipates that treatment plant costs will continue to increase in the short-term. It should be noted that the District's general manager is one of five board members at the treatment plant and works to keep the treatment fees as low as possible.

Treatment Plant Capital Projects Assessment

SVWRF has, and will continue, to assess the District their proportionate share of capital projects to maintain and update the treatment plant equipment and operations to comply with regulatory requirements. SVWRF has established two funding programs that allows the District to budget and pay for these anticipated costs. SVWRF has a Capital Facilities Program whereby the District pays $36,820 monthly ($381,841 annually) to the treatment plant to fund future capital projects and equipment upgrade costs. SVWRF also has a Repair and Replacement Program whereby the District pays $12,800 monthly ($153,600 annually) to the treatment plant to fund on-going repairs and replacement to the treatment plant system. The District anticipates that an amount of approximately $2,677,000 will be required for the years 2026 through 2020 for the aforementioned programs.

Age of the System

The District is monitoring the condition of its wastewater collection system. There are many sections of the system that are over 50 to 70 years old. The District is currently using a cost-effective method of lining many of the aging pipes and manholes. This lining is trenchless sewer line replacement process whereby the older or damaged sewer lines and manholes are lined with a fiberglass reinforced plastic liner that essentially creates new pipe within the old one. Lining costs are much lower than the traditional replacement costs of digging up the old or damaged pipes and replacing them with new ones.

In 2026, the District anticipates that pipe-lining and manhole rehabilitation costs will remain affordable and the District has budgeted $900,000 for these costs.

SVWRF has identified that the northern main sewer trunk line will need to be lined in the next five years. The District is budgeting $5,147,000 for the District's proportionate share of these rehabilitation costs.

Necessary Capital Improvements and Equipment

The District has identified certain sewer main lines that need to be replaced to increase capacity in the next 1 to 5 years with costs estimated at $9,610,00. The District has identified maintenance projects to replace certain sewer lines with costs estimated at $1,232,000.

Operating Costs and Inflation

The District is concerned over the level of inflation in the local area and the effects on the operating budget. The District has also observed that inflation related to construction and rehabilitation projects is noticeably higher than general inflation.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

The District has observed that wages in the wastewater industry have increased due to operators retiring and a lack of interest in wastewater employment. Multiple governmental entities that surround the District have labor shortages for employees with wastewater experience and they are currently hiring. The District does not anticipate this labor shortage will be resolved in the next few years. The District anticipates that wages will increase to ensure that employees' wages are at competitive market levels to reduce the likelihood of employees leaving for higher wages elsewhere.

The relatively higher than anticipated interest rates during 2025 had a positive impact on the District. The District does not have any interest-related debts (due to the pay-as-you-go policy), therefore, the increase in interest rates did not affect the District. The District does have savings accounts and reserve investment accounts that have seen a dramatic increase in interest income. The District anticipates that the interest rates will remain at moderately higher levels into 2026.

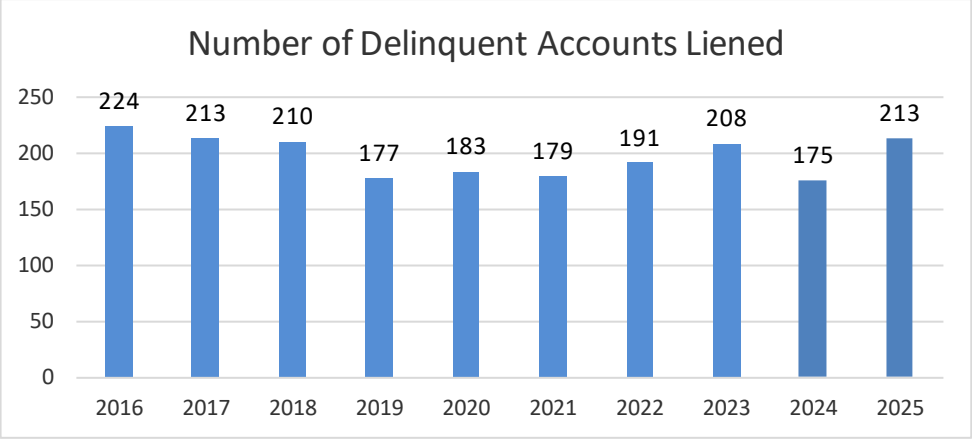
The District anticipates that operating costs (excluding treatment plant fees that are set by another governmental entity) will increase due to the effects of inflation. The District anticipates that inflation will be at moderate levels and not the higher levels experienced in the prior years.

Economy

With the exception of inflation, the District does not anticipate the economy will affect the operations of the District in the next year. The District has observed that Utah has one of the strongest economies in United States and has one the lowest unemployment rates.

Collection Rates on Sewer Fees

The District has observed that the collection rates of sewer fees from customers has not substantially changed from prior years. It appears that most of the customers view paying their sewer utility bill as a priority. For customer accounts that are deemed to be delinquent, the customers know that the District will file a property tax lien with the county. The number of delinquent account tax liens filed in September 2025 were up 18% from the prior year but were still comparable to prior years.



Service Level Changes

The District does not anticipate there will be any service level changes in the next year.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Priorities and Issues

The District has identified the following priorities and issues that will have a significant affect the District's budget in the near term.

- For the past several years, the District has been mapping the sewer collection system using a geographic information system (GIS) software that will be able to provide the District with age, building materials, and condition of the different parts of the sewer system. With the GIS mapping, the District can already determine the priority of what pipes should be lined and the overall condition of the system. The District has also been assessing the condition of the over 1,960 manholes and determining which manholes should be rehabilitated.

  The District observed during 2025 there has been a decrease in the demand for construction services and costs, and an increase in interest rates has also contributed to the decrease in demand for construction services. In 2026, the District anticipates that pipe-lining and manhole rehabilitation costs will remain affordable and the District has budgeted $900,000 for these costs.

- Determine the impact of increases of the District's share of the treatment plant operating costs. The District's General Manager is on the Board of Trustees for the treatment plant and is actively involved in the budgeting and planning of the required upgrades of the plant.

- Determine the effects that inflation will have on the operating costs of the District. At the time of this budget, inflation was about 3%.

- Forecasting the District's cash reserves requirements for the impact of prior and future capital projects within the District and also the costs of updating the treatment plant to comply with regulatory authorities. The District has determined that the customer service fees and impact fees will need to be increased in 2026 to replenish the reserves for future capital projects. The Board of Trustees approved a five-year rate increase plan in November 2022.

The District did not have any changes in significant priorities and issues from the prior year, other than the positive aspect of construction costs have decreased and contractor availability has increased related to the District's rehabilitation costs.

Collection of Operating Service Fee Revenues – A Non-Issue

The District receives about 74% of the revenues from Sewer Service Fees, about 20% of revenues from Property Taxes, and about 6% from impact fees, engineering fees, and investment earnings. All delinquent Sewer Service Fees (including late fees and finance charges) are certified to Salt Lake County and attached as property tax liens on the related customer's real estate. Property taxes are collected by Salt Lake County and unpaid property taxes are attached as property tax liens. Impact Fees and other fees are collected before the construction projects can begin.

These revenues, representing over 99% of all revenues, are collected in a timely manner and have not been affected by the economic environment, macro-economic conditions, economic cycles, and weather conditions in the area. The District has observed this to be true during prior economic downturns and pandemic in Utah several years ago. Additionally, it should be noted that the vast majority of all other revenues are related to earnings on investments and impact fees.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

Budget Overview

The following is a condensed presentation of significant budgetary items and prior years' information to show trends.

	Budget 2026	Amended Adopted Budget 2025	Actual 2024	Actual 2023	Actual 2022
Operating Revenues:					
Sewer Service Fees	$5,401,000	$4,860,000	$4,385,504	$3,945,369	$3,432,430
Finance Charges & Other Income	31,000	22,000	25,139	23,123	18,327
Total Operating Revenues	5,432,000	4,882,000	4,410,643	3,968,492	3,450,757
Operating Expenses:					
Sewage Treatment Expenses	3,234,000	2,316,000	1,977,072	1,896,033	1,500,417
General Operating Expenses:	3,845,000	3,660,000	3,428,635	3,512,407	2,954,436
Total Operating Expenses	7,079,000	5,976,000	5,405,707	5,408,440	4,454,853
Total Loss From Operations	(1,647,000)	(1,094,000)	(995,064)	(1,439,948)	(1,004,096)
Non-Operating Revenues & Expense					
Property Tax Revenue	1,472,000	1,465,000	1,465,701	1,456,368	1,428,964
Impact Fees	200,000	750,000	132,326	225,874	199,190
Other Non-Operating Revenue	260,000	669,000	439,718	438,795	(24,111)
Total Non-Operating Revenue & Expense	1,932,000	2,884,000	2,037,745	2,121,037	1,604,043
Net Income (Loss)	$ 285,000	$1,790,000	$1,042,681	$ 681,089	$ 599,947

Major budgetary highlights for the upcoming year include:

Sewer Service Fees – The District will be increasing sewer service fees from $33.80 to $37.20 starting with the January 2026 billing cycle. The increase in sewer service fees is necessary to pay for capital improvements and system maintenance and rehabilitation projects in the next five years and to replenish the financial reserves. In 2022, the District has hired an engineering to provide a Sewer Master Plan and Sewer Rate Study (the Study) to recommend sewer service fees and impact fees. A copy of the Study is available on the District's site at https://MidvalleySewer.gov under News and Notices.

Property Tax Revenue – the District expects the property tax revenue to increase slightly, due to new growth, as the District is approximately 98% built-out. The District has determined that the tax rate is appropriate at the current time and does not need to be adjusted.

Impact Fees – the District expects impact fee revenue to be about the same as the prior year as the District is 98% built-out. In 2025, the District hired an outside engineering firm to update the 2022 Impact Fee Facilities Plan and 2022 the Impact Fee Analysis. This resulted in the District increasing impact fees from $2,248 in 2025 to $2,526 starting in February 2026.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

INTRODUCTION AND OVERVIEW

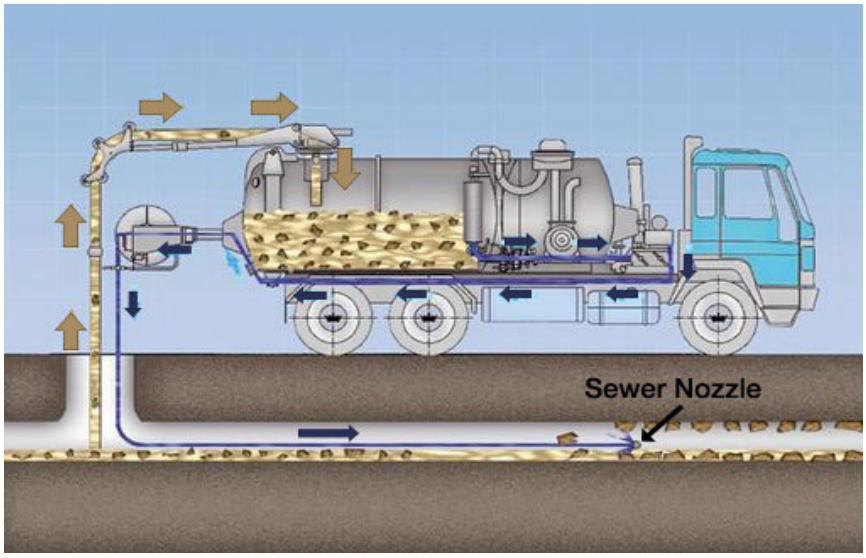
Sewage Treatment Expenses & Capital Assessments – The District is billed monthly for their proportional share of the operating costs. The District will budget the amount of anticipated treatment fees from the budget of the treatment plant. In addition, the treatment plant has two funding programs that allow the District to budget and pay for these anticipated capital related costs. SVWRF has a Capital Facilities Program whereby the District pays $36,820 monthly ($381,841 annually) to fund future capital projects and equipment upgrade costs. SVWRF also has a Repair and Replacement Program whereby the District pays $12,800 monthly ($153,600 annually) to fund on-going repairs and replacement to the treatment plant system.

General Operating Expenses – the District anticipates that the overall general operating expenses of the District will increase due to inflation in the local economy. Included in the general operating expenses are the budget amounts for the repair and maintenance of the sewer lines and manholes. The budget is currently $900,000 for 2026 for sewer pipelining and manhole rehabilitation and replacement projects.

Other Non-Operating Revenue – consists primarily of investment earnings from the District's reserves and operating cash held in investment accounts and other small amounts that may be received. The investment income is expected to remain the same as prior years.

Net Income – the District has budgeted for a positive cash flow to meet the anticipated needs of the District in the next five years and replenish the District's cash reserves to pay for future treatment plant upgrade assessments, capital projects and equipment. As a result, the District is budgeted to show total Net Income over the five years projected.

The District has budgeted for several non-cash expenses that will provide more cash than the budgeted net income. The large budgeted non-cash expenses in 2026 are depreciation expense for $438,000 and amortization expense (included in Sewage Treatment Expenses) of pre-paid sewer service fees (that was paid to the treatment plant) of $180,000.



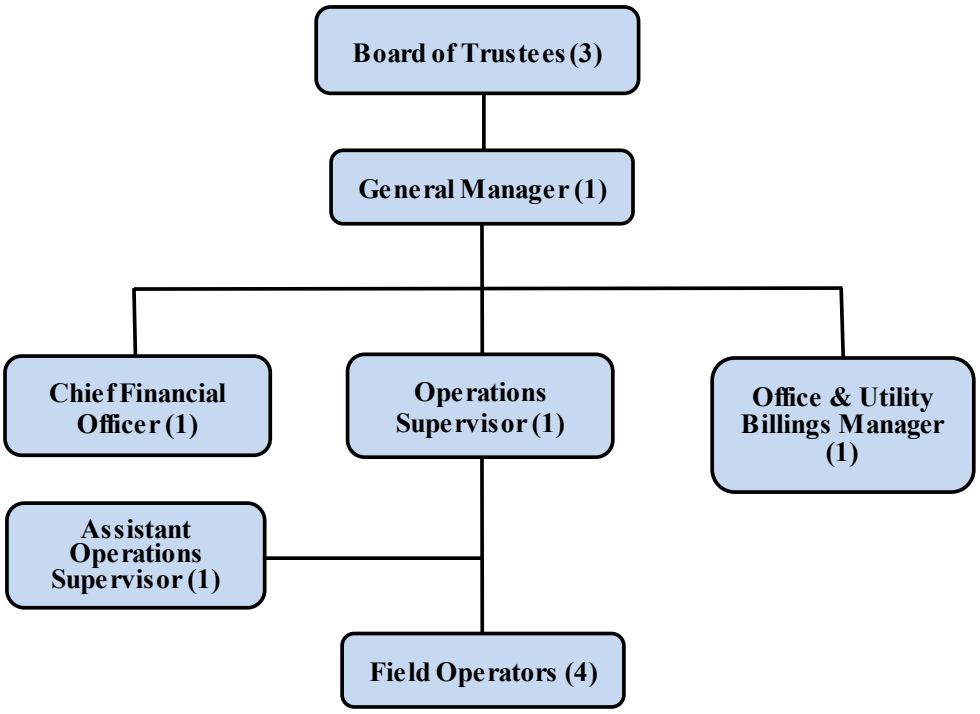
Jet Truck Cleaning Process: a high-pressure water hose and nozzle are used to clean the sewer pipes and the truck's vacuum removes water and debris from the manhole.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

FINANCIAL STRUCTURE, POLICY AND PROCESS

Organization Chart
The following is an organization chart of the District and the number of employees in each position:



Fund Description and Fund Structure
The District prepares its budget 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, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, cash reserves, management control, accountability, or other purposes.

Departmental/Fund Relationship
Due to the size of the District, the District does not account for financial resources by department. The District has only one single enterprise fund and operates as one economic department.

Basis of Budgeting
The District's budget is 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, include property tax revenue and contributed sewer lines. The District does not budget for contributed sewer lines.

Budget Format
The District's budget is formatted to match the *Statement of Revenues, Expenses, and Changes in Net Position* in the District's annually audited financial statements.

FINANCIAL STRUCTURE, POLICY AND PROCESS

Financial Policies

The District's has established financial policies, principles, and practices that have enabled the District to obtain financial stability and to assist the District in accomplishing the District's mission statement to provide the highest quality sanitary sewer service in the most cost-efficient manner possible for our customers.

These policies, principles and practices are an integral part of the budgeting planning process to accomplish the financial and operating goals of the District, not only for the next year but also for long-term service objectives.

These policies are reviewed annually to ensure that they are effective, relevant, and cost-effective. The following are the major components that make up the core of the District's financial policies used in our budgeting planning:

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. Budgeting and financial reporting is based upon accounting guidance codified by GASB.

Revenues & Expenses – The District has one enterprise fund that distinguishes 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 the District's principal ongoing operations.

The principal operating revenues of the District are charges to customers for sewer service. 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. The District follows the aforementioned principles in the preparation of the annual operating budget.

Balanced Budget - The District prepares its budget on a single enterprise fund basis, which is a type of proprietary fund. As such, the District is not required to prepare a balanced budget, nor would this type of budget work for the District. The District's budget is created to show our customers where our revenues come from, where the funds are expensed, and the financial health of the District.

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.

FINANCIAL STRUCTURE, POLICY AND PROCESS

Establishing Sewer Rate Fees – The District annually reviews the sewer rate fees to ensure they are providing funds for both the short-term but also long-term needs.

The following are the primary areas considered for establishing sewer rate fees:

- *Service Cost Recovery* – the direct and indirect costs of providing sewer service.
- *Working Capital* – this is the cash that will be required for the operations during the next year, as well as amounts for emergency purchases.
- *Reserve Amounts* – the reserve amounts are used to meet the anticipated needs of the District in the next five years for capital projects, equipment, and for cash advances to SVWRF for sewer treatment plant capital upgrade assessments, as well as any future unforeseen needs that may arise.

  As these reserve funds are longer term in nature, the District has invested these funds in longer term and higher earning yielding securities. To ensure the safety of these investments, the District's investment policy is to follow the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State Money Management Council.

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 $15,000 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's policy is to continually assess the condition of all capital assets used in the operations of operating and maintaining the sewer collection system to ensure there is no disruption of service.

Contributed Sewer Collection Lines - 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 or area. 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.

Debt Management - The District has a "pay-as-you-go" policy to fund all future capital infrastructure and equipment, as well as funds required to pay cash advances to the SVWRF treatment plant for the District's proportionate share of capital projects.

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. The District also has all employees receive training, at least yearly, to minimize any harmful risks related to their positions.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

FINANCIAL STRUCTURE, POLICY AND PROCESS

Budget Process

This section describes the process for preparing, reviewing and adopting the annual operating budget (the budget) for the next calendar year. It also includes procedures for amending the budget after adoption.

The assignment for the development of the preliminary budget has been assigned to the Chief Financial Officer (CFO) with assistance from the General Manager, and the Utility Billings Manager. The combination of these three management members is considered the management team.

The Following is the District's budget calendar and the budget processes:

June 11, 2025

The Board meets to adopt the certified tax rate from information provided by Salt Lake County. Any changes in anticipated tax review will be considered in the budgeting process.

August 1, 2025

The yearly budget process starts with an initial development of short-term strategies for the upcoming year by the management team.

September 30, 2025

The CFO prepares a draft of the preliminary tentative budget based on current projections, capital equipment needs, and cash flow requirements. The CFO also ensures that the preliminary budget is consistent with the Board of Trustee's (the Board) strategic goals and strategies, as well as, the District's mission statement. This draft of the preliminary budget is given to the management team to be reviewed.

October 3, 2025

The preliminary tentative budget is communicated to the Board members for them to study and review before the regularly scheduled October board meeting. Any questions or comments are communicated to the management team. The CFO will make any recommended changes to the preliminary budget and then communicate the revised budget again to all Board members.

October 8, 2025

At the October Board meeting, the CFO will present the tentative budget for the Board to approve as the tentative budget. After the proposed tentative budget is approved, the District will make the proposed budget available for public inspection for a period of at least 7 days prior to the adoption of the final budget at the November Board meeting.

November 12, 2025

The District will hold a public hearing on the proposed budget. If there are no changes to the tentative budget, the Board will adopt the final budget by Board resolution. The District will also send a copy of the approved budget to the Utah State Auditor within 30 days after adoption.

The District may amend their adopted budget at any time until the last day of the year for which the budget was adopted. As the District operates as an enterprise fund, the District can modify or amend their budget without a public hearing during any regularly scheduled board meeting or a special meeting called for that purpose.

MIDVALLEY SEWER DISTRICT

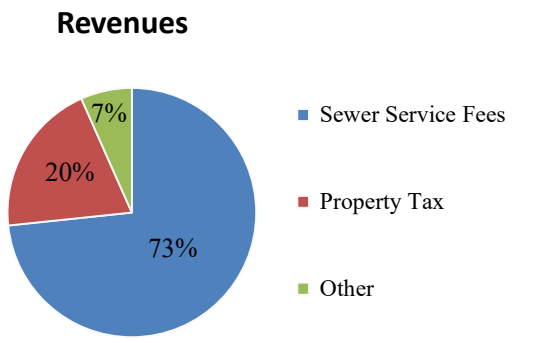
MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

FINANCIAL SUMMARIES

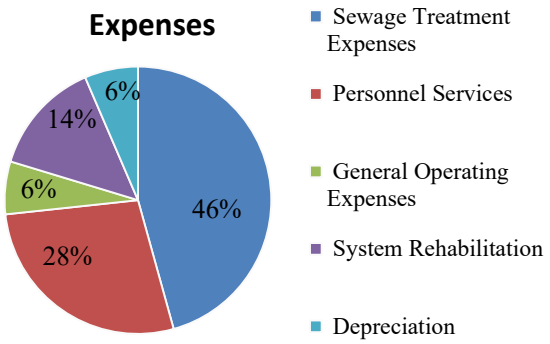
Financial Summary of Major Revenues and Expenses

The following schedules and charts show the major revenues and major expenses that are budgeted for the District for calendar year 2026.

	Proposed Budget 2026
Revenues:	
Sewer Service Fees	$ 5,401,000
Property Tax	1,472,000
Other	491,000
Total Revenues	7,364,000



Expenses:	
Sewage Treatment Expenses	3,234,000
Personnel Services	1,955,000
General Operating Expenses	452,000
System Rehabilitation	979,000
Depreciation	459,000
Total Expenses	7,079,000
Net Income (Loss)	$ 285,000



As the capital related costs are paid from the cash reserves, the District includes depreciation expense to provide an indication if funds from prior capital costs are being recovered, as depreciation expense is a non-cash expense. Included in the Sewer Treatment Expenses is $180,000 of amortization of the pre-paid sewer treatment fees that is a non-cash expense.

The Total Income (Loss) from Operations plus the previously noted non-cash expenses provides an indication of whether cash reserves are being recovered. The District does not budget for contributed sewer lines as they do not represent spendable resources received.

MIDVALLEY SEWER DISTRICT

MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

FINANCIAL SUMMARIES

Four Year Financial Schedule

The following schedule shows the budget with comparisons to the estimated current year amounts, the budget for the prior year, and the actual results for the two prior years.

	Budget 2026	Current Year Estimated 2025	Amended Adopted Budget 2025	Actual 2024	Actual 2023
Operating Revenues:					
Sewer Service Fees	$ 5,401,000	$ 4,885,173	$ 4,860,000	$ 4,385,504	$ 3,945,369
Finance Charges & Other Income	31,000	45,073	22,000	25,139	23,123
Total Operating Revenues	5,432,000	4,930,246	4,882,000	4,410,643	3,968,492
Operating Expenses:					
Sewage Treatment Expenses	3,234,000	2,291,384	2,316,000	1,977,072	1,896,033
Salaries & Wages	1,170,000	1,146,547	1,133,000	1,058,570	1,090,268
Employee Benefits	785,000	777,255	748,000	635,312	505,597
Depreciation	459,000	476,499	477,000	438,462	428,148
System Rehabilitation	900,000	868,560	800,000	917,432	1,085,033
Repairs & Maintenance	79,000	70,823	79,000	40,415	39,135
Office Expense	233,000	177,210	221,000	201,732	186,671
Insurance	57,000	45,172	57,000	51,040	50,381
Auto & Truck Expense	70,000	41,259	70,000	47,281	60,732
Legal & Accounting Services	42,000	37,358	42,000	30,111	27,448
Engineering	50,000	39,811	3,000	8,280	10,000
Election	-	3,000	30,000	-	28,994
Total Operating Expenses	7,079,000	5,974,877	5,976,000	5,405,707	5,408,440
Total Loss From Operations	(1,647,000)	(1,044,631)	(1,094,000)	(995,064)	(1,439,948)
Non-Operating Revenues & Expenses					
Property Tax Revenue	1,472,000	1,459,832	1,465,000	1,465,701	1,456,368
Impact Fees	200,000	766,115	750,000	132,326	225,874
Other Non-Operating Revenue:	260,000	677,168	669,000	439,718	438,795
Total Non-Operating Revenues & Expenses	1,932,000	2,903,115	2,884,000	2,037,745	2,121,037
Net Income (Loss)	285,000	1,858,484	1,790,000	1,042,681	681,089
Contributed Capital - Lines	-	144,706	-	175,966	-
Change in Net Position	285,000	2,003,190	1,790,000	1,218,647	681,089
Total Net Position, Beg of Year	28,089,073	26,230,589	26,230,589	25,011,942	24,330,853
Total Net Position, End of Year	$ 28,374,073	$ 28,089,073	$ 28,020,589	$ 26,230,589	$ 25,011,942

Net Position or Fund Equity

FINANCIAL SUMMARIES

The District prepares its financial statements and budget on a single enterprise fund basis, which is a type of proprietary fund. The above schedule shows the actual, estimated, and budgeted amounts of the total Net Position of the District.

Net Position reflects the District's equity, or the assets minus the liabilities. The District's budgetary information shown in the above schedule is formatted the same as the *Statement of Revenues, Expenses and Changes in Net Position* shown in the annual audited financial statements.

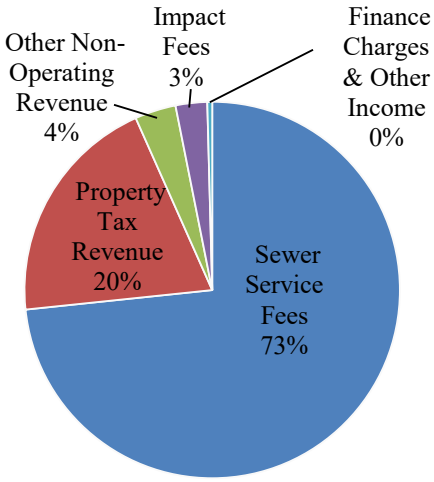
The above schedule shows the District's Change in Net Position for the time periods presented, which increases or decreases the District's overall Net Position. The District does not budget for contributed sewer lines as they do not represent spendable resources received.

The District has budgeted for an increase in net income, which after adding the non-cash depreciation expense and the amortization of the pre-paid sewer treatment fees, should provide positive cash flow that will be used to increase the District's reserves for capital projects and equipment. The District's Net Position or fund equity reflects amounts that are not necessarily available for expenses.

The District does not have a statutory limitation on the amount of Net Position they may accumulate.

Major Sources of Revenues
The District has the following major revenues sources:

	Budget 2026
Sources of Revenue	
Sewer Service Fees	$ 5,401,000
Property Tax Revenue	1,472,000
Other Non-Operating Revenue	260,000
Impact Fees	200,000
Finance Charges & Other Income	31,000
Total Revenues	$ 7,364,000



Sewer Service Fees – These are the fees that are charged to the residents and other entities within the District's boundaries for sewer services. The District will raise the Sewer Service Fees in 2026 to provide the funds needed to pay for capital projects and rehabilitation projects in the next five years.

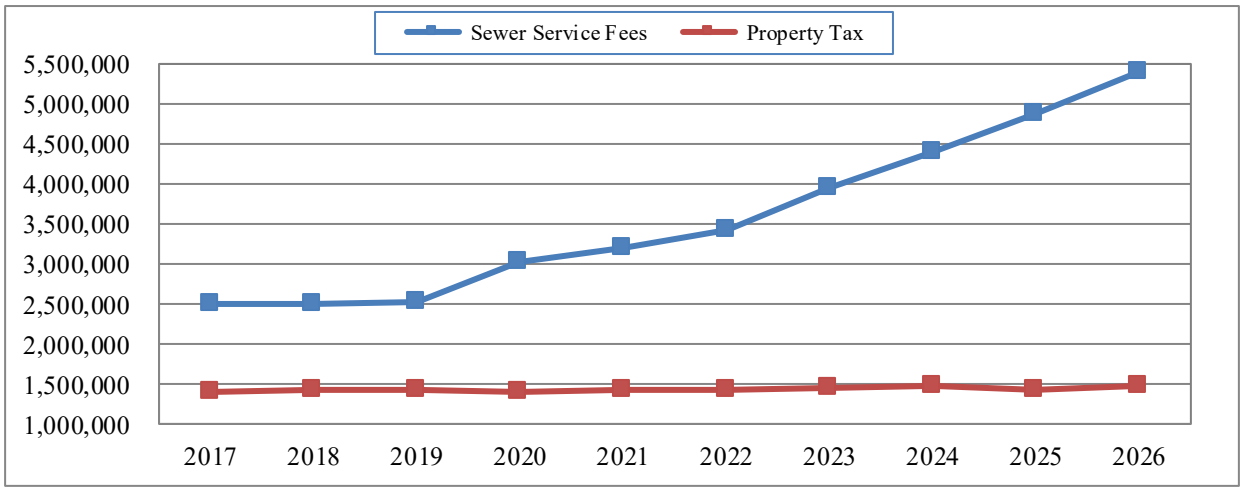
No Property Tax Increase in 19 Years – The District has not raised its property tax rate since implementing the property taxes in 2007.

FINANCIAL SUMMARIES

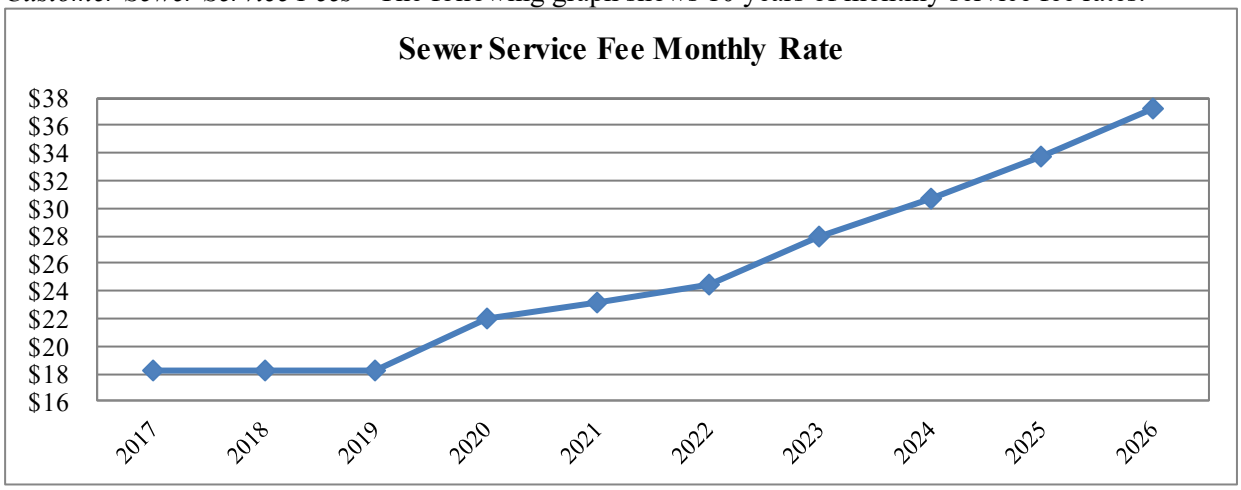
Property Tax Revenue – Utah law prescribes how property taxes are levied and collected. In June of each year, the Board of Trustees sets the certified tax rate. The certified tax rate is the rate which will provide the same amount of property tax revenue as was charged in the previous year, excluding the revenue generated by new growth. 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 2025 was 0.000401, all of which was used for operations and maintenance.

The District expects the property tax revenue to increase slightly as the District is approximately 98% built-out and does not anticipate significant new growth. The District has determined that the tax rate is appropriate for the current budget and for the near-term budget planning purposes.

10 Year Revenue History - The following graph shows 10 years of Sewer Service Fees and Property Tax revenues (2017 to 2024 actual, 2025 estimated, and 2026 budgeted revenues).



Customer Sewer Service Fees - The following graph shows 10 years of monthly service fee rates.



MIDVALLEY SEWER DISTRICT

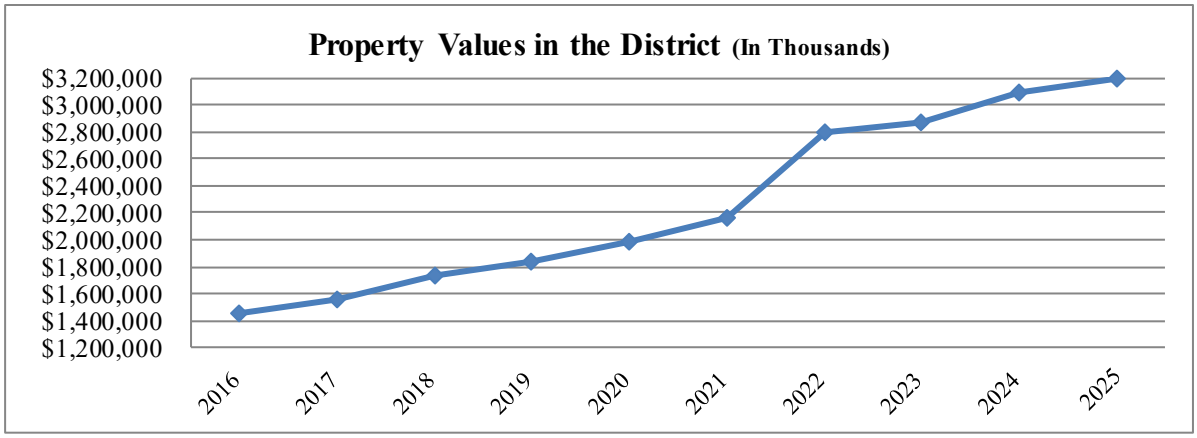
MIDVALLEY SEWER DISTRICT
2026 OPERATING BUDGET

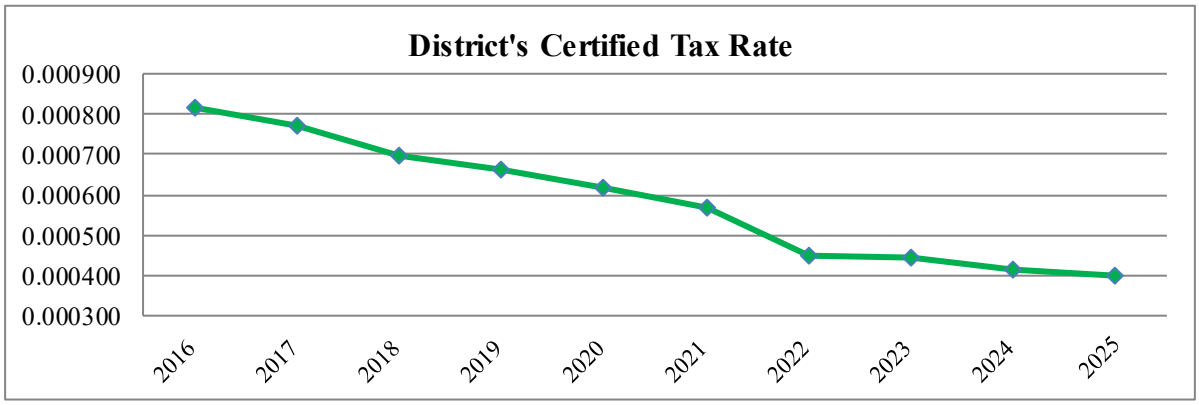
FINANCIAL SUMMARIES

Certified Tax Rates - Utah State law prohibits the District from receiving a windfall from an increase in the property value, so as property values increase, the "certified rate" or the rate that the District can impose without a public hearing, decreases, guaranteeing the District the same amount of revenue from property taxes that was received the previous year, plus an allowance for any new growth that may have occurred within the District's boundaries. If the District were to change the tax rate beyond the certified rate, the District is required by law to have a Truth-in-Taxation public hearing.

The District continues to receive about the same amount of funds from property tax, with some residents paying more and some paying less, depending on those property valuations. The District reinstated collecting property taxes in 2007. Because the certified rate does not adjust for inflation, over time the District has considerably less ability to fund sewer services through property taxes, and this was one of the factors why the District did a sewer service fee rate increase in 2026.

The graphs below illustrate the increase in value of property within the District's boundaries and the decrease in the certified tax rate. During the past decade, as the property values have increased, the certified tax rate has decreased. For individual residents, this means that as their property values increase, the property taxes paid remain the same.





The property values and certified tax rates for 2026 will not be available until June of 2026 and therefore have not been included in the graphs.

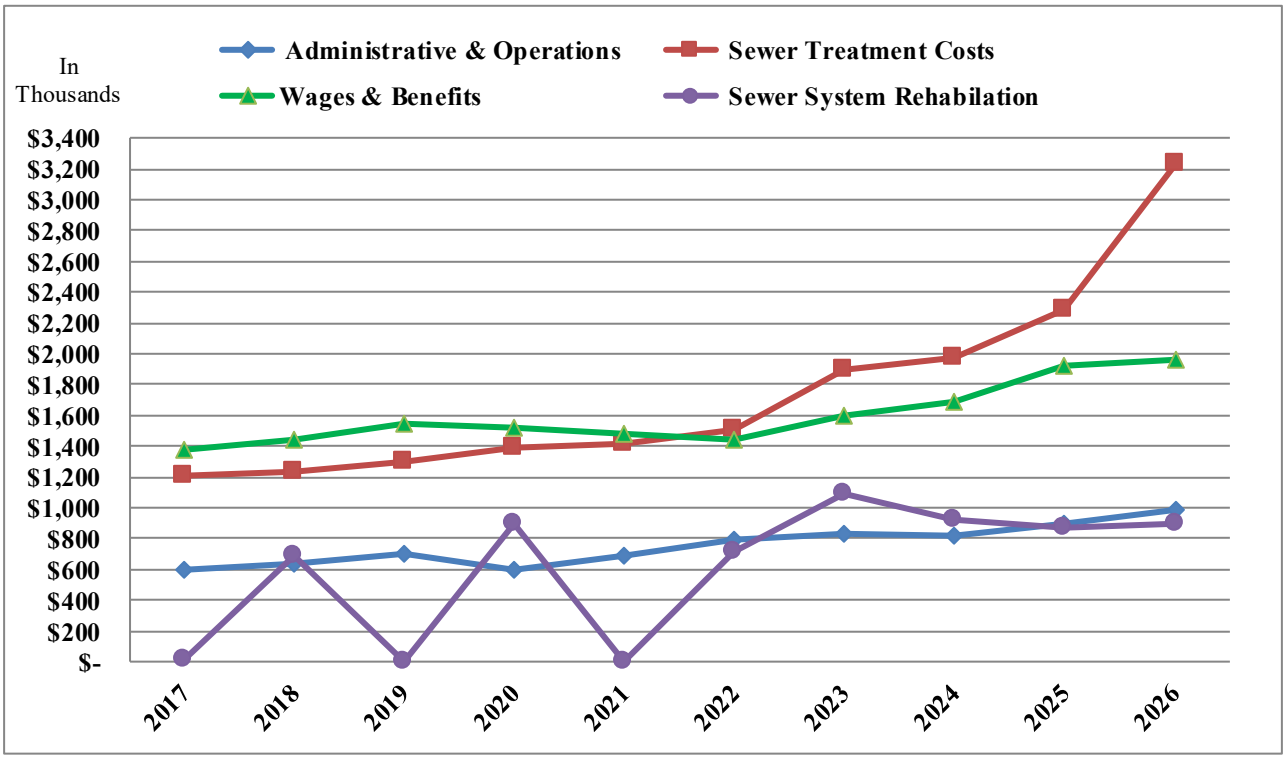
FINANCIAL SUMMARIES

Other Non-Operating Revenue – This revenue consists primarily of investment earnings from the District's operating cash and reserves held in investment accounts. The amount of earnings is directly related to the yields on the balance in the investment accounts. The District's policy is to only purchase safe and secure investments (the District's investment policy is to follow the Utah Money Management Act).

Impact Fees – These fees are charges to new connections to connect into the District sewer collection system. These fees are charged to recover the costs the District has paid for the collection system and the treatment plant, in prior years, to allow the District to have excess capacity for new development. The District expects impact fee revenue to increase as there is more residual construction in the District than the prior year.

Major Uses of Revenues

The following graph shows 10 years of the District's expenses categorized into the four major different expense areas (2017 to 2024 actual, 2025 estimated, and 2026 budgeted expenses).



Sewer Treatment Costs - are fees charged from the sewer treatment plant and fees fluctuate based on the District's proportional share of the operating costs.

Sewer System Rehabilitation – these expenses include pipe-lining of sewer lines and manhole rehabilitation costs. The 2017 projects were combined with the 2018 projects; the 2019 projects were combined with the 2020 projects; the 2021 projects were done in 2022; and the 2022 projects were combined with the 2023 projects. Prior years' delays were due to issues in the construction industry, contractor supply chain issues, and the pandemic related issues. In 2023, the District was able to catch up on all prior year rehabilitation projects. The 2025 rehabilitation project was completed during the year.

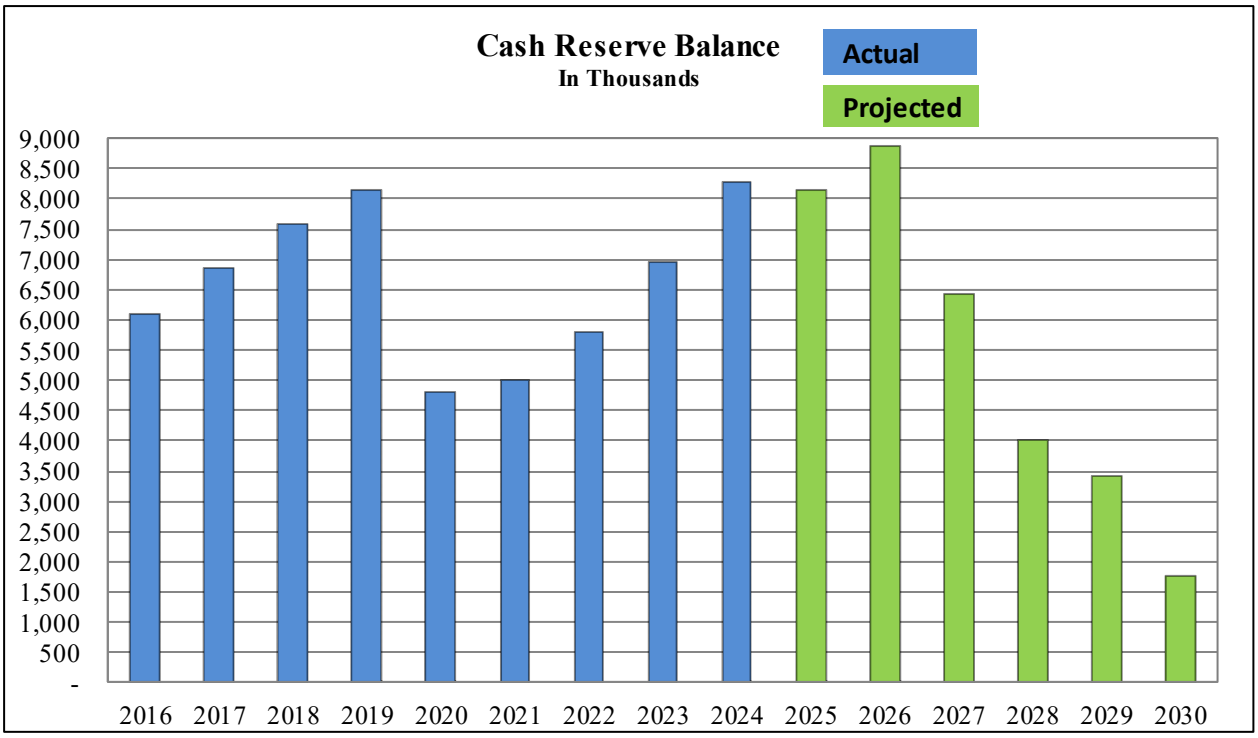
FINANCIAL SUMMARIES

Cash and Investment Reserves

The District has a "pay-as-you-go" policy to fund all operations, future capital infrastructure and equipment, funds required to pay cash advances to the SVWRF treatment plant for their capital projects, as well as major emergency repairs. The District maintains cash reserves (reserves) that are made up of unrestricted cash and investment funds. The District's reserves are made up of two components: one component is a year's supply of operations cash and the other component is to pay for capital costs and other non-operational needs.

Many generations of customers have built up the cash reserves that allow the District to save on expensive debt related costs and interest expense. The use of the reserves also allows the District to not adjust the sewer service fees every time there is a major outflow of funds and new debt is required. The District's long-term budget strategy is to adequately fund appropriate reserves.

The following chart shows the cash reserve balance in prior years, estimated current year, the next budget year, and forecasted future years. The cash reserve amounts are net of the District's operational cash reserve of 1.5 million dollars. The operational cash reserve is necessary as the majority of property tax revenue is received in November and December while the District's expenses are spread throughout the year.



FINANCIAL SUMMARIES

Long-Range Financial Plans

The District's long-range financial plans (the plan) are to develop appropriate long-term financial strategies to achieve the District's long-term goals in order to support its mission statement of providing the highest quality sanitary sewer service in the most cost-efficient manner possible for our customers.

The District's plan is based on internal and externally generated forecast data to assess the long-term financial implications of current and proposed policies, programs, and assumptions statements. The plan is continually updated to reflect emerging issues, ensuring that the plan addresses the current fiscal environment. The District uses the plan as a financial tool for early detection that allows District staff to deal with budgetary issues proactively.

The plan was developed based on certain financial assumptions and known projected costs. These assumptions were gathered from the District's historical and current data, trend analyses, as well as anticipated future growth based on the current and predicted future economy. Any external uncertainties or unknown variables that the District has no control of (such as an unexpected pandemic, increased costs of treatment of the District's wastewater, murder hornet infestation, fluctuation in energy prices, run-away inflation, and future changes in state and federal regulations, etc.) are excluded from these projections.

Operations Related Financial Plans - In order to accomplish the District's mission statement, the District's has developed the following specific long-term strategies, after which, there is a description of how the plan affects each strategy:

- *Employ a qualified and well-trained management and staff with a low percentage of turn-over.*

  The District's plan is for all employees to be paid competitive salaries and wages. As can be seen on the District's organization chart, included in this budget document, the District is small in size and all employees have to perform many duties that are covered by different employees in larger districts.

  For example, in larger sewer districts the operations component is usually divided into three different departments such as the jet cleaning truck, the camera truck, and capital repairs and equipment maintenance. The District rotates all operations employees through all three aforementioned areas on a regular basis. All operations employees are cross-trained on all positions within the operations department. The District budgets to provide the required training for all three areas.

  As a result, District has spent time and money ensuring all employees are properly cross-trained in various positions. The District has determined that their employees are more valuable than employees trained in only one or two aspects of the wastewater business; therefore, yearly the District evaluates employee wages and salaries to ensure they are competitive, which results in a low percentage of employee turn-over. The District believes that this strategy is effective as the District has not had any sewer line backups or system failures in over 16 years, which failures can result in substantial costs to the District.

- *Maintain the existing infrastructure of the District through preventative maintenance and timely replacement of outdated equipment and collection system components.*

FINANCIAL SUMMARIES

The District's plan is to monitor the condition of the collection system on a regular basis. The District has adopted a rigorous pipe inspection program utilizing principles from the National Association of Sewer Services Companies (NASSCO) using their Pipeline Assessment Certification Program (PACP) and the Manhole Assessment Certification Program (MACP).

The District currently completes video inspection of its entire collection system every 14 months. The District also cleans 95 percent of its collection pipes (pipes with diameters less than or equal to 21-inch) every 12 months. Pipelines larger than 21-inch are difficult to clean regularly due to limits of typical pipe cleaning equipment. The District will make repairs and maintain the collection system before costly backup or breakdowns occur.

The District is currently using a cost-effective method of pipelining many of the aging pipes. The District is planning to maintain the current budget for pipelining as the District has determined that pipe lining will result in significant long-term saving costs.

The District also monitors the equipment used to maintain the collection system which includes larger assets such as jet cleaning trucks and the camera truck. The District's plan is to maintain these trucks on a regular basis and also periodically determines that they are cost effective and efficient.

- *Employ available technology in an effort to operate all programs in the District at the highest level of effectiveness and efficiency.*

The District's plan is to stay current on the technology available to the District to provide the highest level of effectiveness and efficiency in providing wastewater operations. The District budgets for employees to be members of various wastewater industry associations and regularly attend conferences and meet with industry leaders and consultants and observe leading edge technology.

The District's long-term plans also include reviewing, on a regular basis, the software needs of the District which includes the software in the camera truck and the District's mapping and tracking software.

- *Maintain rates and fees at the lowest level possible for customers while generating necessary funds to maintain a high level of service and adequately fund appropriate reserves of the District.*

The District is very concerned with keeping the service fees as low as possible. During the budgeting process every year, the District reviews the service fees charged and the property tax levy rate in relation to the costs of providing the service. The District is proud to have had one of the lowest service fees in the Salt Lake valley area for many years.

Additionally, the District determined that significant funds will be needed to pay for assessment from the treatment plant for the District's proportionate share of capital projects, costs to increase sewer pipeline capacity in certain areas, and capital maintenance projects. More details on these capital costs are found in the Capital and Debt section of this budget under the subjection Five Year Forecast – Capital Related Costs. As a result of the estimated significant cost of capital projects in the next five years, the District will be raising sewer service fee rates in 2026 to replenish the

FINANCIAL SUMMARIES

District's reserves. This sewer fee increase was approved by the Board of Trustees in November 2022.

- *Represent the District's interest at the SVWRF treatment plant to keep sewage treatment costs as low as possible.*

  The District's General Manager is on the board of trustees over the SVWRF treatment plant. As the District is required to pay for their proportionate share of all costs of the treatment plant, the District's General Manager is motivated to ensure that the costs at the treatment plant are kept at as low as possible while the wastewater is properly treated.

Budget Assumptions for Revenues and Expenses - The District has made the following assumptions and used the following information to prepare the annual budget and related five-year forecast for the major revenue and expense areas.

- *Sewer Service Fees Revenue:* in 2022, the District had an engineering firm prepare a Sewer Master Plan Report that recommended the sewer service fees for the next five years to fund the operating expenses, provide funds for future capital improvements, provide funds for system maintenance and rehabilitation projects, and replenish the financial reserves. The sewer service fees will increase by 10% in 2026 and 10% in 2027. The District is planning on having an engineering firm prepare another sewer master plan in 2027 to be implemented in 2028.

- *Sewage Treatment Expenses:* The District shares a wastewater treatment plant with two sewer districts and two cities. The District pays their proportionate share of the treatment plant operations and capital related projects. The treatment plant prepares their own budget and the District is assessed a monthly sewage treatment fee. The District's General Manager is on the Board of Trustees for the treatment plant and is actively involved in the budgeting and planning of the required upgrades of the plant. Based on the past recent history of sewer treatment fee increases, the District is estimating that the sewage treatment expense and capital related projects costs will increase by 8% for each of the next five years.

- *Salaries and Wages Expenses:* The District has observed that salaries in the wastewater industry have increased due to operators retiring and a lack of interest in wastewater employment. The District pays competitive wages to ensure employee retention. The District is budgeting for an increase of 5% for each of the next five years. The District does not anticipate this labor shortage will be resolved in the next few years. The District has determined that current number of employees should be able for perform all necessary services without the need for any additional employees for at least the next five year.

- *Employee Benefits Expenses:* The District is budgeting for an increase of 3% a year for each of the next five years. The major employee benefits costs include retirement, health insurance, life and disability insurance, and compensated absences related costs (accrued unused vacation and sick time).

- *System Rehabilitation Expenses*: The District is monitoring the condition of its wastewater collection system. There are many sections of the system that are over 50 to 70 years old. The

FINANCIAL SUMMARIES

District has budgeted $900,000 for the rehabilitation of the sewer lines and manholes; as recommended by the engineers in their Sewer Master Plan Report to the District. The District is budgeting a 5% increase a year for the next five years.

- *Office and Administrative Expenses:* The District is budgeting for an increase in the Office and Administrative expenses of 5% for each of the next five years. The increases are based on observed cost increases from the past five years. The major expenses included in Office and Administrative Expenses include bank and credit card fees (as sewer service fees increase, the related credit card fees also increase), utilities costs, postage and customer statement costs, and computer equipment and software costs.

- *Other Operational Expenses:* The District is budgeting for an increase of 3% a year for the next five years in the operational expenses. The increase is based on anticipated general level of inflation in the near future and has been observed by cost increases from the past five years.

- *Property Tax Revenues:* the District expects the property tax revenue to increase slightly, due to new growth, as the District is approximately 98% built-out, and has budgeted an increase of 0.50% for each of the next five years. The District has determined that the tax rate is appropriate at the current time and does not need to be adjusted.

- *Impact Fee Revenues*: the District expects impact fee revenue to be about the same as the prior years as the District is 98% built-out. In 2025, the District hired an outside engineering firm to update the 2022 Impact Fee Facilities Plan and 2022 the Impact Fee Analysis. This resulted in the District increasing impact fees from $2,241 in 2025 to $2,526 starting in February 2026. This revenue is very difficult to budget and the revenue is related to construction of new buildings in the area. The District has also observed that many older large land parcel homes are being torn down and replaced with multi-family residential homes or apartments.

- *Interest Income:* The District has budgeted a conservative amount of interest income as the District expects interest rates to decrease over the next few years.

Other Long Term Budget Considerations – The District considered the following assumptions and observations in preparing the five-year budget forecast.

- *Inflation:* The District is concerned over the level of inflation in the local area and the effects on the operating budget and the five-year budget forecast. The District has budgeted inflation of be at 3% for the next five years, with the understanding that the inflation factor will most likely need to be adjusted every year.

- *Construction Inflation:* The District has observed that in the past five years, construction related inflation has been noticeably higher than general inflation. Northern Utah, where the District is located, has experienced an unusually high demand for construction services that has increased the costs of construction related services. The District has observed that the demand for the pipe-lining of the main sewer lines and manhole-lining has increased, and therefore the prices have also increased. The District has budgeted for an increase of 5% in this area, which is more than the expected general inflation rate of 3%.

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- *Economy*: With the exception of inflation, the District does not anticipate the economy will affect the operations of the District in the next year. The District has observed that Utah has one of the strongest economies in United States and has one the lowest unemployment rates.

- *Collection of Revenues:* The District receives about 74% of the revenues from Sewer Service Fees, about 20% of revenues from Property Taxes, and about 6% from impact fees, engineering fees, and investment earnings. All delinquent Sewer Service Fees (including late fees and finance charges) are certified to Salt Lake County and attached as property tax liens on the related customer's real estate.

  Property taxes are collected by Salt Lake County and unpaid property taxes are attached as property tax liens. All tax liens are collected by the county within five years.

  Impact Fees and other fees are collected before any construction projects can begin or certificate of occupancy is signed by the District. Property Tax Revenue is collected by Salt Lake County and is deposited in the District's savings account. Therefore, there is not a collection risk in this area.

  Interest Income on the District's savings account and investment is deemed to be 100% collectable.

  The District has observed that over 99% of all revenues are collected in a timely manner and have not been affected by the economic environment, macro-economic conditions, economic cycles, and weather conditions in the area. The District has observed this to be true during prior economic downturns and pandemic in Utah several years ago.

- *Interest Expense:* The District has a "pay-as-you-go" policy to fund all future capital infrastructure and equipment, as well as funds required to pay cash advances to the treatment plant for the District's proportionate share of capital projects. Therefore, the District does not budget for any debt related interest expenses.

- *Pension Obligations and Other Long-Term Unfunded Liabilities:* For at least the past 25 years, the District has properly accounted for all Pension Obligations (the District is part of the Utah Retirement Systems, the State of Utah retirement program), and the District does not have any unrecorded other long-term unfunded liabilities (this area is audited by the outside auditors as part of the annual audit).

- *Contributed Capital – Lines Revenue:* The District does not budget for contributed sewer lines and manholes as they do not represent spendable resources received.

MIDVALLEY SEWER DISTRICT

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Five Year Forecast – Statement of Revenues, Expenses and Changes in Net Position

This section contains a five-year financial projection for the operating budget, anticipated capital and equipment costs, and funds that will be required to pay for the District's share of capital improvements at the treatment plant. It is based on the above section's information which includes historical trend analysis, economic conditions, inflationary expectations, and other relevant information that may impact future performance.

	Budgeted 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
Operating Revenues:					
Sewer Service Fees	$ 5,401,000	$ 5,961,000	$ 6,162,000	$ 6,370,000	$ 6,585,000
Finance Charges & Other Income	31,000	31,000	32,000	32,000	33,000
Total Operating Revenues	5,432,000	5,992,000	6,194,000	6,402,000	6,618,000
Operating Expenses:					
Sewage Treatment Expenses	3,234,000	3,355,580	3,486,313	3,626,904	3,778,110
Salaries and Benefits	1,955,000	2,052,000	2,148,000	2,248,000	2,352,000
Depreciation	459,000	464,000	469,000	474,000	479,000
System Rehabilitation	900,000	927,000	955,000	984,000	1,014,000
Repairs & Maintenance	79,000	83,000	87,000	91,000	96,000
Office & Administrative	233,000	245,000	257,000	270,000	283,000
Insurance	57,000	59,000	60,000	62,000	64,000
Auto & Truck Expense	70,000	74,000	78,000	80,000	82,000
Legal & Accounting Services	42,000	43,000	44,000	45,000	46,000
Engineering	50,000	51,000	50,000	1,000	1,000
Elections	-	30,000	-	30,000	-
Total Operating Expenses	7,079,000	7,383,580	7,634,313	7,911,904	8,195,110
Total Loss From Operations	(1,647,000)	(1,391,580)	(1,440,313)	(1,509,904)	(1,577,110)
Non-Operating Revenues					
Property Tax Revenue	1,472,000	1,479,000	1,486,000	1,493,000	1,500,000
Impact Fees	200,000	100,000	100,000	125,000	125,000
Other Non-Operating Revenue	260,000	110,000	110,000	110,000	110,000
Total Non-Operating Revenues & Expense	1,932,000	1,689,000	1,696,000	1,728,000	1,735,000
Net Income (Loss)	285,000	297,420	255,687	218,096	157,890
Contributed Capital - Lines	-	-	-	-	-
Change In Net Position	285,000	297,420	255,687	218,096	157,890
Total Net Position, Beg of Year	28,077,073	28,362,073	28,659,493	28,915,179	29,133,276
Total Net Position, End of Year	$ 28,362,073	$ 28,659,493	$ 28,915,179	$ 29,133,276	$ 29,291,166

CAPITAL AND DEBT

Capital Related Costs

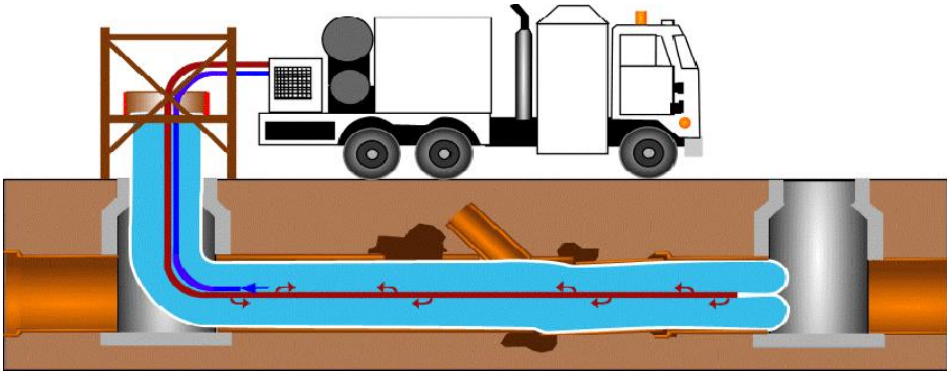
The operations of the District are capital intensive. The District maintains over 79 miles of wastewater collection lines, over 1,960 manholes, and the District also pays their proportionate share of the wastewater treatment plant operations and capital projects at South Valley Water Reclamation Facility (SVWRF).

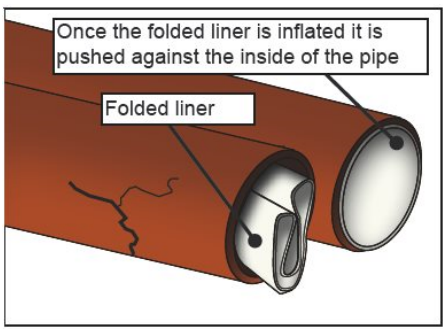
The District has budgeted and anticipates costs in the following areas related to capital-related costs.

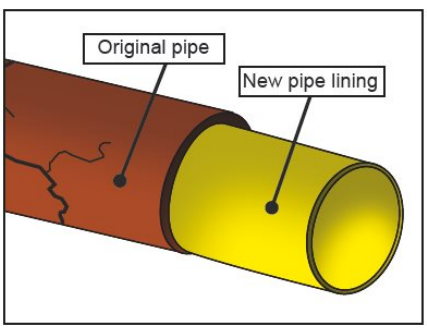
Maintenance and Capacity Deficiencies – the District has identified collection lines that need to be replaced or increased in size and manholes that need to be maintained. The costs of these improvements will be capitalized and depreciated over the estimated life of the pipes. The costs of construction will be paid from the District's reserves.

Collection Line Maintenance – The District is monitoring the condition of its wastewater collection system. There are many sections of the system that are over 50 to 70 years old. To maintain these lines the District uses a variety of methods that result in cost saving over digging a trench, which destroys roads, parking lots, residential yards, and other improvements, and installing new pipe.

Pipe-lining - the District is currently using a cost-effective method of pipe-lining called "cured in place pipe" (CIPP). CIPP is trenchless sewer line replacement process whereby the older or damaged sewer lines are lined with a fiberglass liner that essentially creates new pipe within the old one. CIPP 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 considers CIPP an operational expense to maintain the collection lines and has budgeted the related expenses in the operating budget.







CAPITAL AND DEBT

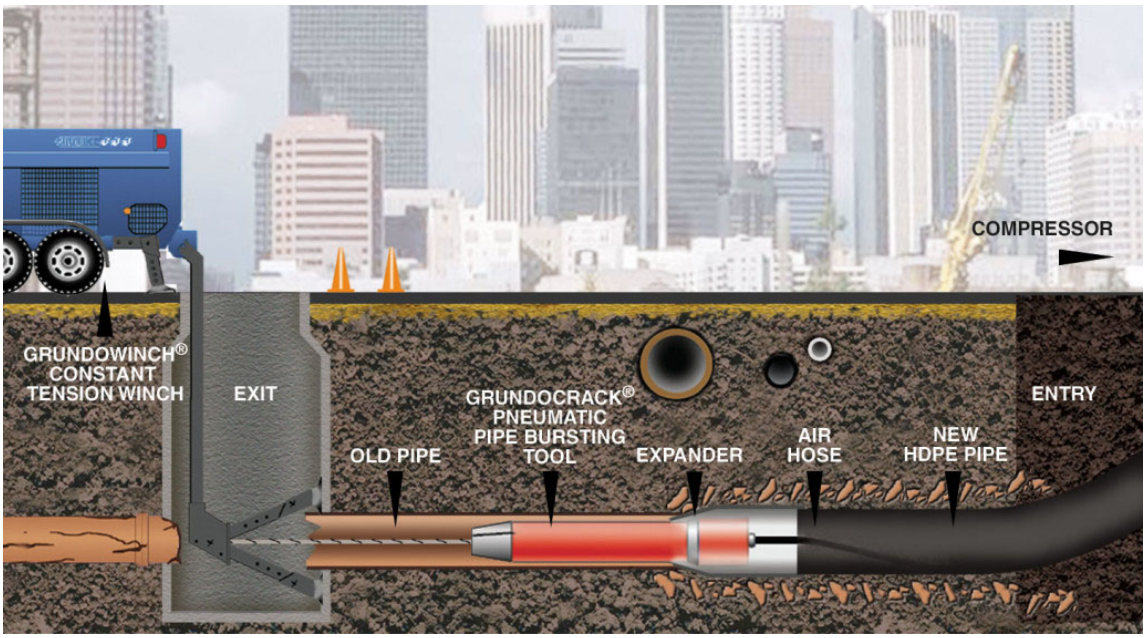
Pipe-Lining of Concrete and Clay Pipes – The District's highest priority for pipe-lining include rehabilitating concrete and clay pipes as they are likely to deteriorate faster than PVC pipes. The District has already made efforts to rehabilitate concrete and clay pipes in the sewer collection system (the system) and 15% of the existing system has been rehabilitated as of the end of 2025.

The system is composed of about 412,000 feet of pipe (about 79 miles), of which 73% is clay or concrete. The District's internal goal is to rehabilitate 90 percent of all existing clay and concrete pipe with pipe-lining over the next 20 years. Based on the pipe inspection results, the District can prioritize which pipelines require rehabilitation first and develop their annual rehabilitation project list.

Based on this internal rehabilitation goal, the District will budget $900,000 (indexed for inflation) for pipe-lining and manhole rehabilitation a year, for the next five years, that can be used for pipe-lining; and then reevaluate our pipe-ling progress and conditions of the concrete and clay pipes.

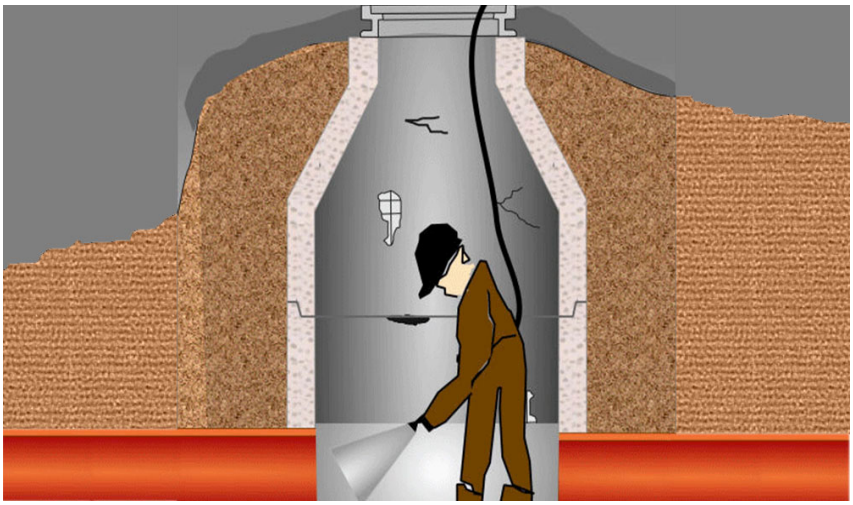
Pipe Bursting – The District has the option to use an alternate method of trenchless pipe replacement called pipe-bursting. Pipe bursting trenchless pipe replacement systems allow the District to install new pipelines in the same or even larger diameter than the pipe being replaced with minimum excavation. Pipe bursting is commonly used to break out an existing cast iron, concrete or clay pipe.

Pipe bursting can pull new sewer lines up to 500 feet long through the old sewer pipe. This method's costs are substantially lower than the traditional replacement costs of digging trenches for old or damaged pipes and replacing them with new ones.



CAPITAL AND DEBT

Manhole Maintenance - The District is monitoring the condition of its manholes. There are many manholes that are over 50 to 70 years old.



To maintain and rehabilitate older manholes which will increase their longevity, the District will be using a variety of methods such as chemical grouting, polymer top coating (Epoxy, Polyurethane, Polyurea, etc.), and cure-in-place lines with a process that includes the installation of a specifically designed fabric liner, saturated with a thermosetting resin, that is heat cured under pressure and molded tightly to fit the inside shape of the existing manhole.

In additional to rehabilitating manholes, some manholes will need to be completely replaced to ensure structure integrity and functionality. The District has budgeted $900,000 a year (indexed for inflation) for pipe-lining and manhole rehabilitation, for the next five years, that can be used to rehabilitate and replace manholes.

The District considers pipe-lining and manhole maintenance to be operational expenses and have budgeted the anticipated related expenses in the operating budget.

Capital Equipment - The District has vehicles and equipment that monitor and repair the collection lines. The District's plan is to maintain these trucks on a regular basis and also periodically determines that they are cost effective and efficient. The costs of these vehicles and equipment will be capitalized and depreciated over their estimated useful life. The costs of capital equipment will be paid from the District's reserves.

Treatment Plant Capital Projects Assessments - The SVWRF treatment plant has been assessing the District their proportionate share of capital projects to update the treatment plant equipment and operations to comply with upcoming regulatory requirements and required capital improvements. SVWRF plant has two funding programs that allow the District to budget and pay for these anticipated capital related costs. SVWRF has a Capital Facilities Program whereby the District pays $31,820 monthly ($381,840 annually) to fund future capital projects and equipment upgrade costs; and a Repair and Replacement Program whereby the District pays $12,800 monthly ($153,600 annually) to fund on-going repairs and replacement to the treatment plant system.

CAPITAL AND DEBT

Five Year Forecast – Capital Related Costs

The following schedule shows the estimated capital-related costs for the next five years.

	2026	2027	2028	2029	2030
Costs for Maintenance Projects					
Laser and sonar inspection of:					
36" pipe under Interstate 15	$ 218,000	$ -	$ -	$ -	$ -
Fairmeadows Drive between 700 E and 900 E	-	-	-	1,014,000	-
Costs for Capacity Deficiencies					
7200 S from State St to 200 E	-	3,393,000	-	-	-
8000 S from State St to 615 E	-	-	3,306,000	-	-
State St from 7554 S to 7640 S	-	-	-	442,000	-
6830 S State St to Railroad	-	-	-	-	2,469,000
Rehabilitation of Lines & Manholes					
* Pipe-lining (CIPP) and Manhole rehabilitation projects	900,000	927,000	955,000	984,000	1,014,000
Treatment Plant Capital Assessments					
* Annual assessment for repairs, maintenance, and asset replacement of system (RM&A)	154,000	154,000	154,000	154,000	154,000
* Annual assessment for ongoing and future sewer treatment plant system upgrades and capital projects (CFP)	382,000	382,000	382,000	382,000	382,000
* Annual assessment for 36" line 7200 S. from 700 W. to Siphon CIPP (65.60% of costs C2 line)	448,000	448,000	448,000	448,000	448,000
* Annual assessment for Inverted Canal Siphon cleaning and CIPP (65.60% of costs)	204,000	204,000	204,000	-	-
* Annual assessment for 48" line north sewer interceptor (Siphon to Treatment Plant) CIPP (43.3% of costs)	459,000	459,000	459,000	459,000	459,000
Total	$2,765,000	$5,967,000	$5,908,000	$ 3,883,000	$ 4,926,000

Total Estimated Capital Related Costs for the Next Five Years $ 23,449,000

* These costs will be included in Disposal Plant Operation expense which is an operating expense and is included on the *Statement of Revenues, Expenses and Changes in Net Position*.

CAPITAL AND DEBT

Impact of Capital Investments on Operating Budget

The District has anticipated the above capital related projects and has increased sewer service fees revenue, in prior years and again in 2026, to provide the future cash flows to adequately replace the cash reserve accounts that will be used to pay for the capital related costs over the next five years.

As part of the District's operating budget and planning process, the District has budgeted and planned the following:

- The District has budgeted for the yearly significant capital related costs of pipelining and manhole maintenance as part of the operating budget.

- The District has budgeted for a positive cash flow to replace the cash reserve amounts that will be used to purchase capital equipment that will be depreciated over the life of the equipment.

- The District has budget for a positive cash flow to replace the cash reserve amounts that will be used to pay for the two capital related funding programs at the treatment plant. One program provides funding for on-going treatment plant maintenance and asset replacement, and the other program provides funding for treatment plant future upgrades and capital projects.

Anticipated Operating Costs Associated with Significant Nonrecurring Capital Costs

The District does not anticipate that there will be additional operating costs associated with any of the significant nonrecurring capital costs identified above. All of the non-recurring capital costs identified above will be performed by outside vendors and contractors. The District will not incur any additional operating expenses nor will the District incur any additional savings or receive any additional revenues as a result of these projects.

The District budgeted for and already has the cash reserves to pay for all the projects above. In addition, the District projects, with the increase in sewer service fees in 2026, that the current level of revenues will support replenishing the cash reserves in a timely manner.

As the District is 98% built-out, any possible new sewer lines that could be constructed or that are received as contributed capital in the form of sewer lines would not have a significant effect on the operations of the District. The District has determined that all new sewer lines could be cleaned, televised, and maintained by the current operations employees without additional over-time costs and current operational equipment. Any other costs associated with new sewer lines would be offset by the new sewer service fee revenues created by individuals and entities using the new sewer lines.

Debt

The District does not have any debt. The District has adopted a "pay-as-you-go" philosophy for all operational budget items and future capital related costs detailed in the prior section. The District has established reserves, which consist of cash and investments, that provide the funds needed for both short- and long-term budget and capital-related costs.

Debt Limit - the District has a debt limit for general obligation bonds (backed by property taxes) of approximately $112,000,000 that is available should any unanticipated needs arise.

DEPARTMENTAL INFORMATION

Position Summary Schedule

Overall, the District staffing needs remain unchanged over time due to the consistent nature of the District sewage collection system and manageable increases in annual sewage flows.

During the budget period and for the foreseeable short-term future, the District anticipates that staffing needs will remain unchanged from prior years. The following is a schedule of the staffing positions for the budget year, the current year, and the prior five years.

Area	Budget Year 2026	Current Year 2025	2024	2023	2022	2021	2020
Administration:							
General Manager	1	1	1	1	1	1	1
Chief Financial Officer	1	1	1	1	1	1	1
Office & Utility Billings Manager	1	1	1	1	1	1	1
Operations:							
Operations Supervisor	1	1	1	1	1	1	1
Assistant Operations Supervisor	1	1	1	1	1	1	1
Operators	4	4	4	4	4	4	4
Total	9	9	9	9	9	9	9

Department Descriptions

The District does not have separate and distinct departments due to the small and single-service nature of its operations. From a functional standpoint, the District may say that it has the following areas: Administration and Operations. The District does not account for the aforementioned departments separately on the accounting records. The following is an overview of the functions of the District's two areas.

Administration Area

Positions: General Manager (1)
Chief Financial Officer (1)
Office and Utility Billings Manager (1)

Functions: Accountable for the Districts managerial, legal, and fiscal responsibilities associated with constructing and maintaining the wastewater collection and conveyance services. The Administration area directly supports the operations area through administration, finance, and human resources.

DEPARTMENTAL INFORMATION

Operations Area

Positions: Operations Supervisor (1)
Assistant Operations Supervisor (1)
Operators (4)

Functions: The Operations area is responsible for the maintenance and operations of over 79 miles of sewer pipe and over 1,960 manholes. More than 84 percent of the pipe in the system is 8 inches in diameter or smaller. These pipes represent the vast network of small collection mains in the neighborhoods throughout the District. The District estimates that the average daily flow will be 2.48 million gallons per day for the next five years.

The Operations area is responsible for operating, inspecting, maintaining, and troubleshooting the wastewater collection system area. The Operations area operations include: 1.) jet truck cleaning of all sewer pipes on a regular basis, 2.) camera truck recording the condition of the pipes. 3.) providing maintenance of the sewer collection pipes and manholes, 4.) maintaining system information in a cataloged GIS database of inventory of existing sewer facilities, 5.) providing inspection of new pipe and contractor connections, and 6.) providing emergency responses to inspect, camera, or respond to backup calls.

Unit Goals and Objectives

The District takes accomplishing the mission statement very seriously, and as such the District's overall goal is to achieve the mission statement to provide the highest quality sanitary sewer service in the most cost-efficient manner possible for our customers.

The District has been in operation for almost 70 years and operations have been continually improved and fine-tuned for many years. However, as the District is committed to maintaining the high level of service currently provided and to continually looking for areas of improvements, the District is always looking for ways to improve the Long-Term Strategies that are presented in the Introduction and Overview section of this budget document.

District's Vactor jet cleaning truck

MIDVALLEY SEWER DISTRICT

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DEPARTMENTAL INFORMATION

Performance Measures

The District has established the following performance measures which were established to accomplish the District's goals and/or strategies for the fulfillment of the District's mission statement.

Objective	Performance Measure	Projected* Year 2025	Year 2024	Year 2023
Employees Retention & Training				
Retain qualified employees	Voluntary turnover	0	0	0
Training - Operators maintain required certifications	Certifications requirement met	100%	100%	100%
Training - Operators receive required continuing education hours	Continuing education requirement met	100%	100%	100%
Safety Program - receive safety program education & training	Safety program education requirements met	100%	100%	100%
Safety Program - zero injury accidents	Injury accidents	0	0	0
Safety Program - no non-injury accidents	Non-injury accidents	0	0	0
Insurance incentive program - maximum refund for completing program	Maximum refund from insurance program	Yes	Yes	Yes
Sewer Collection System				
Sewer lines - zero District fault backups	Number of backups	0	0	0
Sewer lines - jet truck cleaning goals	Jet Truck goals met	Yes	Yes	Yes
Sewer lines - camera & assessment goals	Camera truck goals met	Yes	Yes	Yes
Sewer lines - customer complaints handled to proper resolution	Customer complaints not resolved	0	0	0
Sewer lines - maintain infrastructure including slip-lining maintenance	All pipes maintained and slip-lining performed	Yes	Yes	Yes
Annual assessment of technology to increase effectiveness and efficiency: Operations & collection system	Assessment complete	Yes	Yes	Yes
Equipment, including GIS database	Assessment complete	Yes	Yes	Yes
Board of Trustees				
Monthly Board meetings, as scheduled	Met monthly, as scheduled	Yes	Yes	Yes
Monthly review expenses of the District	Expenses were reviewed	Yes	Yes	Yes
Monthly publish minutes on website	Minutes were published	Yes	Yes	Yes
Quarterly review of financial statements	Statements reviewed	Yes	Yes	Yes
Review and adopt the District's certified tax rate by June 22 of each year	Certified tax rate was adopted by deadline	Yes	Yes	Yes
Review and adopt the District's operating budget by year end	Operating budget adopted by year end	Yes	Yes	Yes

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DEPARTMENTAL INFORMATION

Objective	Performance Measure	Projected* Year 2025	Year 2024	Year 2023
Finance, Accounting, and Reporting				
Prepare annual operating budget	Approved by the Board	Yes	Yes	Yes
Participate in an excellence in financial and budget reporting program	Meets GFOA distinguished budget award	Yes	Yes	Yes
Accounting - pass annual financial audit	Number of audit issues	0	0	0
Annual audit - no audit findings	Number of audit findings	0	0	0
All financial reports for Federal, State, and local requirement filed on time	Number of late reports	0	0	0
Annual review and assessment of cash reserves for both short & long terms	Annual review performed	Yes	Yes	Yes
Utility Billings Area				
Customer statements mailed on time	Number of late mailings	0	0	0
Customer billing complaints handled to proper resolution	Customer complaints not resolved	0	0	0
General Manager & Engineering				
Perform yearly employee reviews	Employee review not done	0	0	0
Resolve all employee issues	Issues not resolved	0	0	0
Resolve all customer or vendor issues	Issues not resolved	0	0	0
Provide engineering reviews of all customer sewer plans & assess fees	Number of plans not reviewed	0	0	0
Annually review the projected capital equipment and infrastructure projects	Annual assessment is performed	Yes	Yes	Yes
Effective representation at the treatment plant board of trustee meetings	Number of occurrences of ineffective representation	0	0	0

* The District anticipates the completion of the goals and has not identified any issues or reasons that this goal will not be completed in a timely manner.

SUPPLEMENTAL INFORMATION

Collection System

The District has approximately 12,500 equivalent residential units (including both residential and non-residential). There are about 412,000 feet (about 79 miles) of sewer pipe and over 1,960 manholes in the District. About 85% of the pipe in the system is 8 inches in diameter or smaller. These pipes represent the vast network of small collection mains in the neighborhoods throughout the District. The District's system is gravity flow and does not have any pumping stations. The District estimates that the average daily flow will be 2.65 to 2.80 MGD (million gallons per day) for the next five years.

Future Growth & Demand

The District expects that the residential and non-residential population will increase (estimated at about 8% in the next 10 years) as the District is approximately 98% built-out and does not anticipate significant new growth. Much of the new growth will come from replacing single family homes, blighted areas, and agriculture land with multi-family housing.

In 2022, the District retained the consulting engineering firm of Bowen Collins & Associates (BC&A) to prepare a master sewer plan report (the report) for the District's wastewater collection system. The purpose of the report was to identify recommended improvements that will resolve existing and projected future deficiencies in the wastewater collection system throughout the District's service area. The District is planning and has budgeted to resolve all existing and projected future deficiencies in the short-term.

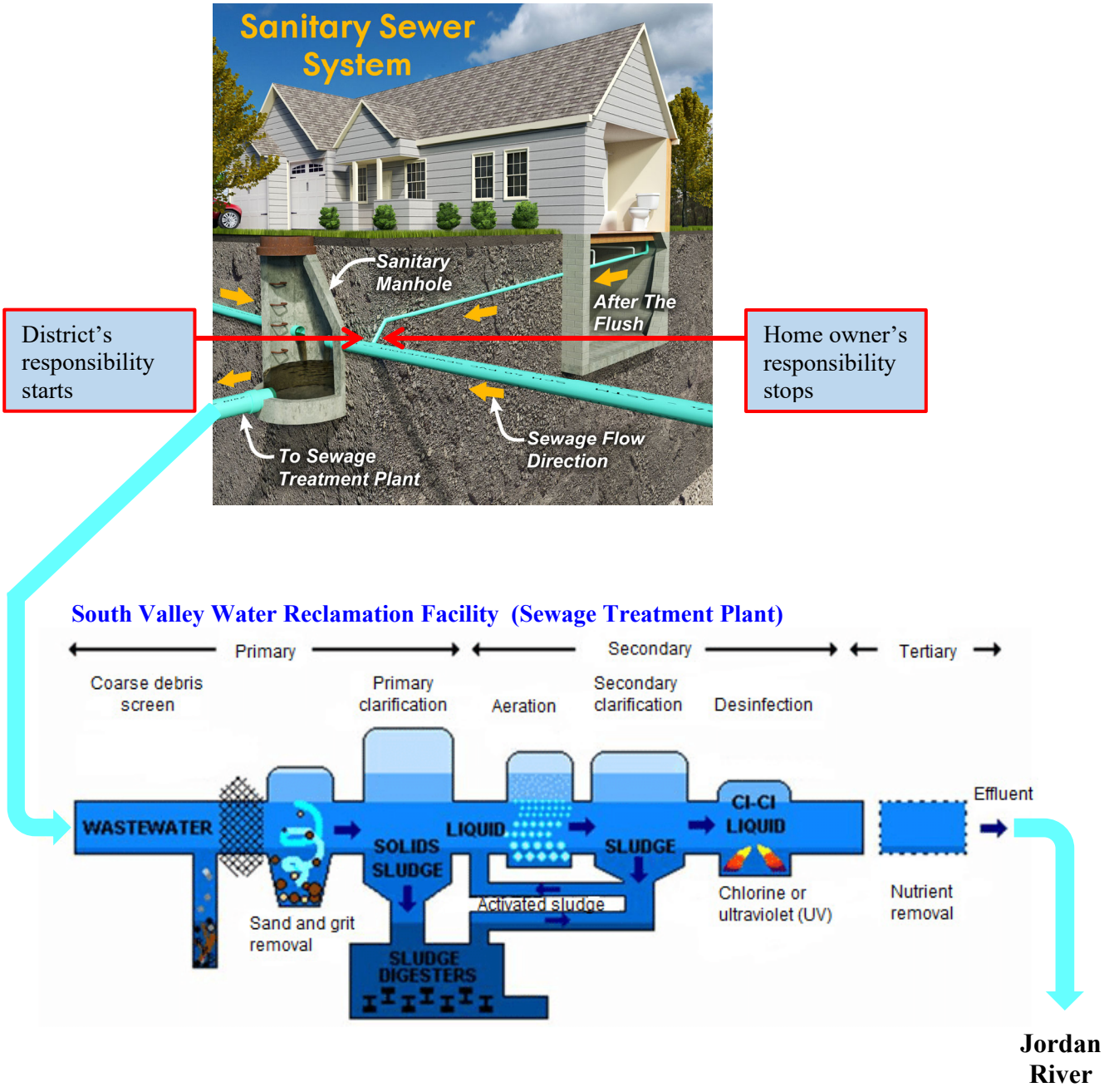
The report showed the following table of projected total daily wastewater flows by MGD:

Year	Infiltration (mgd)	Domestic Wastewater (mgd)	Total Wastewater (mgd)
2022	0.60	2.01	2.61
2025	0.61	2.05	2.67
2030	0.64	2.14	2.78
2032	0.65	2.17	2.82
2035	0.67	2.25	2.92
2040	0.69	2.39	3.08
2045	0.72	2.49	3.21
2050	0.75	2.57	3.32

As the District has capacity rights of 3.84 MGD in the treatment plan, the District owns sufficient capacity in the treatment plan to accommodate projected growth through 2050.

SUPPLEMENTAL INFORMATION

Sanitary Sewer System – Start to Finish



GLOSSARY

Accrual Accounting A method of accounting in which revenues are recorded when earned and expenses are recognized when incurred.

Amortization The process of gradually writing off the initial cost of an intangible asset as an expense every year for the life of the intangible asset. For example, the District is required to pay cash to the treatment plant for capital projects at the plant. The District will account for these cash advance payments as prepaid sewage treatment fees until the capital project is completed and will then gradually write off this initial cost as an expense (sewer treatment expense) over the expected life of the treatment plant project.

Audit As required by Utah State law and monitored by the Utah State Auditor's Office, the District is required to have an annual audit by independent auditors (the Auditors). The Auditors will perform audit procedures on the accounting records, financial statements, and the notes to the financial statements of the District. The Auditor will issue an opinion that is shown in the first section of the District's Financial Statements. The District's Financial Statements and auditor's opinions can be downloaded from the District's website at www.mvdst.com.

The Auditors also perform audit procedures on the District's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The audits are performed in accordance with auditing standards generally accepted in the United State of America and standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Additionally, the Utah State Auditor's Office requires auditors to perform certain procedures to test internal control and compliance with areas identified in the *State Compliance Audit Guide*.

Balanced Budget A balanced budget is achieved by having revenues equal expenses during the budget period. The District does not use the balanced budget approach as notated in above Financial Policies area under Balanced Budget.

Bond A bond is a promise to repay borrowed money by a specific date in the future including specific interest on the amount borrowed at predetermined intervals during the life of the bond.

Capital Assets Capital assets are assets with a cost of $15,000 or more and with a useful life of one year or more and incurred to construct or build an asset, purchase an asset or add value to an existing asset such as acquiring or upgrading a physical asset (i.e. sewer collection lines, jet cleaning trucks, camera trucks, machinery, equipment, property or buildings).

GLOSSARY

CIPP — A cost-effective method of pipe-lining called "cured in place pipe" (CIPP). CIPP is trenchless sewer line replacement process whereby the older or damaged sewer lines are lined with a fiberglass liner that essentially creates new pipe within the old one. CIPP lining costs are much lower than the traditional replacement costs of digging up the old or damaged pipes and replacing them with new ones.

CFO — The Chief Financial Officer (CFO) of the District. The CFO's major responsibilities include accounting and reporting of financial information, preparing the operating budget and related reports, ensuring compliance with financial related laws and regulations, and overseeing the financial operations of the District.

Component Unit — A Component Unit is a legally separate organization for which the elected officials of the District are financially accountable. In addition, component units can be other organizations of which the nature and significance of their relationship with the District is such that exclusion of these organizations from the District's financial statements is misleading.

Depreciation — The process of gradually writing off the initial cost of an asset as an expense every year for the life of the asset. For example, when the District purchases a large cleaning truck, the District will recognize as an expense (depreciation expense) one-tenth of the cost of the truck for 10 years.

Enterprise Fund — The District prepares its financial statements on an enterprise fund basis. Generally Accepted Accounting Principles (GAAP) require state and local governments to use the enterprise fund to account for "business-type activities" – activities similar to those found in the private sector. Business-type activities include services primarily funded through service charges.

Fund — A fund for governmental accounting purposes is similar to a department in a commercial business. A fund will have a separate accounting system for recording all transactions including cash-in and cash-out transactions and any other accounting adjustments of the fund. The District is operated as one fund (or department).

GASB — The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles for governmental entities in the United States of America.

GIS — The geographic information system (GIS) software is used to map the sewer collection system and provide electronic maps with detailed information such as age, building materials, and condition.

MGD — Million gallons per day.

GLOSSARY

Net Position — Net Position is the amount of the District's total assets less the total liabilities as shown on the Balance Sheet. Last year's net income or loss is added to last year's Net Position amount is to equal this year's Net Position amount. With governmental accounting, the District's equity is shown as the Net Position. In commercial accounting terms, Net Position is called Retained Earning of the entity.

Operating Budget — The District's plan for operating and maintenance revenues and expenses during a one-year period.

Pumping Station — A pumping operation, usually located a long distance from the treatment plant, provides for the lifting and conveyance of sewage through the force main to gravity flow points.

Sewage — Wastewater flow from residential and commercial units connected to the sewer system.

Sewer Fee — The rate charged per equivalent residential dwelling unit. This rate is set by the District's Board of Trustees.

SVWRF — South Valley Water Reclamation Facility. The District's wastewater treatment plant.

Wastewater — Any water that has been adversely affected in quality by anthropogenic influence. It comprises liquid waste discharged by domestic residences, commercial properties, industry, and/or agriculture and can encompass a wide range of potential contaminants and concentrations. In the most common usage, it refers to municipal wastewater that contains a broad spectrum of contaminants resulting from the mixing of wastewater from different sources.