

FINANCIAL STATEMENTS

DECEMBER 31, 2021



Central Valley Water Reclamation Facility



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Valley Water Reclamation Facility
Salt Lake City Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Central Valley Water Reclamation Facility (the Facility), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Facility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Valley Water Reclamation Facility, as of December 31, 2021, and the change in net position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Facility's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of the Facility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Facility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facility's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
March 3, 2022

Central Valley Water Reclamation Facility Management’s Discussion and Analysis

History and Background:

The Central Valley Water Reclamation Facility (the “Facility”) is headquartered in South Salt Lake City, Utah, along the I-15 corridor. The Facility was organized as an Interlocal Agreement on October 17, 1978. An Interlocal Agreement (“Agreement”) by two cities and five special districts (the “Member Entity” or “Member”) in accordance with the laws of the State of Utah. The Agreement has been amended eight times, with restatement in 2018 as well.

The Facility began operations in 1986 with a rated capacity of 62.5 million gallons per day (MGD) and was upgraded in 1994 to a rated capacity of 75 MGD. Subsequent plant enhancements have occurred in 1999, 2005, and 2010 to improve solids handling, secondary clarification, and disinfection processes, but did not increase overall plant capacity. Initially, Federal funds were furnished by the Environmental Protection Agency (the “EPA”) to finance 42% of construction costs. The Member Entities provided the remaining 58% of costs in proportion to their ownership interests. Subsequent expansions were financed by Member Entity contributions.

The Facility currently serves a population of approximately 600,000, representing approximately 51% of Salt Lake County (U.S Census population estimate of Salt Lake County as of 2019 was 1,160,437). The Facility is comprised of the following Member Entities: Cottonwood Improvement District, Granger-Hunter Improvement District, Kearns Improvement District, Murray City, Mt. Olympus Improvement District, South Salt Lake City, and Taylorsville-Bennion Improvement District.

The Facility is directed by the General Manager, who reports to the Board of Trustees (“Board”). Each facility Member Entity appoints one elected representative to the Board, and each Member representative has one vote.

This section of the Facility’s annual financial report presents management’s analysis of the Facility’s financial performance during the year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the Facility’s financial activities.

New Treatment Process and Facility Upgrades:

The Facility is in the process of upgrading the plant’s secondary treatment process in response to the State of Utah Division of Water Quality’s (DWQ) implementation of a Technology Based Phosphorus Effluent Limitation (TBPEL) Rule. The TBPEL Rule went into effect January 1, 2015 and will add a total phosphorus limit of 1.0 mg/L to the Facility’s effluent discharge permit. The original Facility was not designed to remove this nutrient. A permit variance was granted by DWQ through 2024 to allow the Facility to design and construct the treatment processes necessary to comply with the TBPEL Rule. The necessary plant process upgrades are scheduled to be constructed and operational in mid-2024 and in compliance with the phosphorus limit by January 1, 2025.

To help select the new process, the Facility’s leadership established a technical advisory committee composed of internationally recognized experts in nutrient removal. This group reviewed various treatment processes, conducted multiple site visits, workshops with plant staff and the Facility’s consulting engineer, and the group arrived at a tentative process recommendation. The recommended process is a biological nutrient removal (BNR) process like the Westside (also known as Westbank) process employed at the Westside Regional Plant in Kelowna, BC Canada.

Central Valley Water Reclamation Facility Management's Discussion and Analysis

The Facility then pilot tested the recommended process for 7 months to ensure this new treatment process would provide the required performance using actual Facility wastewater. The process provided better phosphorus removal performance than anticipated and was selected for implementation.

The Facility's consulting engineers conducted preliminary design of the process upgrades in 2017 and then in 2018 began detailed design. Detailed design was generally completed by the end of 2019 and then submitted to the DWQ for review and issuance of a construction permit. Although most of the design work is complete, the few remaining design projects will finish in 2022. Construction of the main BNR facilities was started in the spring of 2020.

Much of the existing facility equipment is now over 30 years old. An Asset Management Program (AMP) was developed in 2015 to address repair or replacement of plant and collection system components which are not related to the new phosphorus removal project. Repair or replacement priorities are set by assessment of the criticality of each asset and its risk of failure. The Facility has implemented a new computerized maintenance management software (CMMS) package that will assist in the tracking of assets and their replacement/rehabilitation needs. The software will also be used to help develop of short- and long-term capital budgets for the program which are updated on an annual basis.

Financial Highlights:

- The Facility invested significant resources in CIP during 2021, with \$86,344,125 going into plant upgrades.
- The Facility's net position increased by \$17,132,411 due primarily to revenue received for future capital and bond payments.
- The target cash reserve target level was increased from 90 days to 135 days. The Facility should be at the target amount by the end 2023.
- The \$18,000,000 of the 2019A bond construction funds was fully exhausted in 2021 for Facility upgrades. The Facility drew down an additional \$33,000,000 of the \$65,100,000 Division of Water Quality State Revolving Fund Loan. The Division does not issue all loan proceeds upfront; the funds are made available as the project proceeds, there are \$22,100,000 remaining to draw down in the future. In addition, the Facility issued a 2021A \$25,000,000 bank note, a 2021B \$23,720,000 publicly issued bond, and a 2021C publicly issued bond for \$127,105,000. This was done to capitalize on the low interest rates and protect from interest rate risk in the future as a result of the significant amount of Federal stimulus that occurred in 2020 and 2021.
- Construction projects under contract went down by \$34,505,893 in 2021 and equal \$144,772,781 as of yearend 2021. This means a majority of the Facility's construction project costs are fixed barring any unforeseen circumstances. Two more projects will be bid in 2022.
- The facility experienced difficulty with order delays and/or cost escalations regarding supplies, chemicals and natural gas.

Central Valley Water Reclamation Facility Management's Discussion and Analysis

Overview of Financial Report:

The management's discussion and analysis are intended to serve as an introduction to Central Valley Water Reclamation Facility's financial statements. The Facility's financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements and supplementary information. The MD&A represents management's analysis of the Facility's financial condition and performance.

The financial statements report information about the Facility using full accrual accounting methods as utilized by similar business activities in the private sector. They include a balance sheet; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The balance sheet presents the financial position of the Facility on a full accrual basis. While the balance sheet provides information about the nature and amount of resources and obligations at year end, the statement of revenues, expenses and changes in net position presents the results of business activities over the course of the year and information as to how the Facility's net position changed during the year. The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. In other words, it provides information regarding where the cash came from and how it was used, and the change in the cash balance during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of material data provided in the financial statements. The notes present information about the Facility's accounting policies, significant account balances, obligations, commitments, contingencies and subsequent events, if any.

**Central Valley Water Reclamation Facility
Management's Discussion and Analysis**

Financial Analysis:

To begin our analysis, a summary of the Facility's balance sheet is presented in the schedule below. This section will discuss and analyze significant differences between the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 222,791,804	\$ 41,363,199
Capital assets	<u>256,176,037</u>	<u>175,627,816</u>
Total assets	<u><u>478,967,841</u></u>	<u><u>216,991,015</u></u>
Current and other liabilities	25,329,257	14,614,045
Long-term liabilities	<u>313,891,590</u>	<u>79,762,387</u>
Total liabilities	<u><u>339,220,847</u></u>	<u><u>94,376,432</u></u>
Net investment in capital assets	112,708,829	108,509,163
Restricted for debt service	20,294,944	7,544,778
Unrestricted	<u>6,743,221</u>	<u>6,560,642</u>
Total net position	<u><u>139,746,994</u></u>	<u><u>122,614,583</u></u>
Total liabilities and net position	<u><u>\$ 478,967,841</u></u>	<u><u>\$ 216,991,015</u></u>

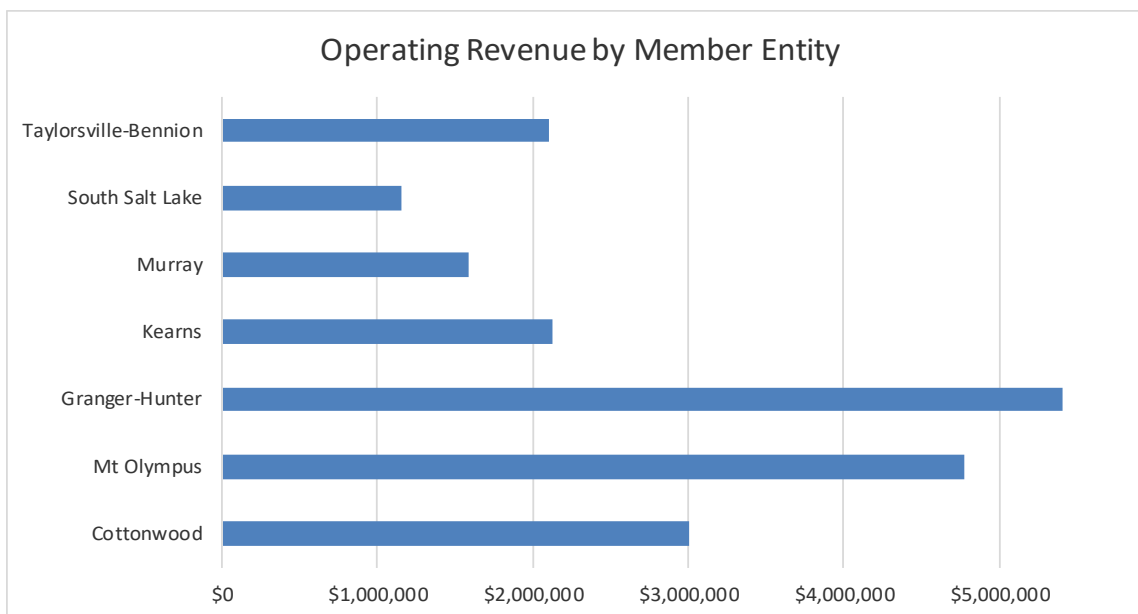
The balance sheet includes all the Facility's assets and liabilities, and net position which is categorized as either net investment in capital assets, restricted, or unrestricted. Net position may serve as a useful indicator of a government's financial position. As can be seen from the schedule above, assets exceeded liabilities by \$139,746,994 as of December 31, 2021. The largest portion of the Facility's net position, \$112,708,829 reflects its net investment in capital assets (e.g., land, CIP, facility, facility equipment, interceptor lines, vehicles and equipment, and golf course). The Facility uses these capital assets in its daily operations; they are not available for future spending. The Facility will be increasing the net investment in capital assets over the next 3 years as it goes through treatment process upgrades.

**Central Valley Water Reclamation Facility
Management's Discussion and Analysis**

While the balance sheet shows the change in financial position, the summary of the Facility's statements of revenues, expenses, and changes in net position provides information regarding the nature and source of these changes as seen in the following schedule. During 2021, net position increased by \$17,132,411, primarily driven by member contributions for debt service and capital payments.

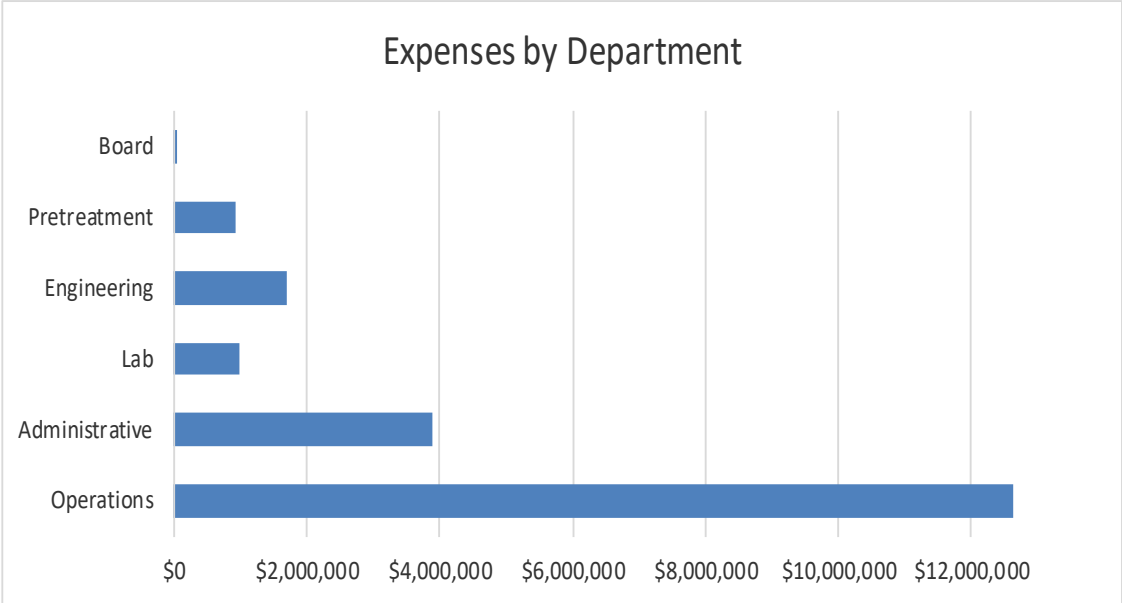
	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 21,406,781	\$ 19,936,823
Non-operating revenues	624,153	676,954
Total revenues	<u>22,030,934</u>	<u>20,613,777</u>
Depreciation expense	8,032,701	7,331,781
Operating expense	20,196,578	19,256,592
Non-operating expense	<u>7,227,421</u>	<u>3,140,019</u>
Total expenses	<u>35,456,700</u>	<u>29,728,392</u>
(Loss) before member contributions	(13,425,766)	(9,114,615)
Member contributions	<u>30,558,177</u>	<u>23,765,696</u>
Change in net position	17,132,411	14,651,081
Net position - beginning of year	<u>122,614,583</u>	<u>107,963,502</u>
Net position - end of year	<u>\$ 139,746,994</u>	<u>\$ 122,614,583</u>

Operating Revenue by Member Entity:



**Central Valley Water Reclamation Facility
Management’s Discussion and Analysis**

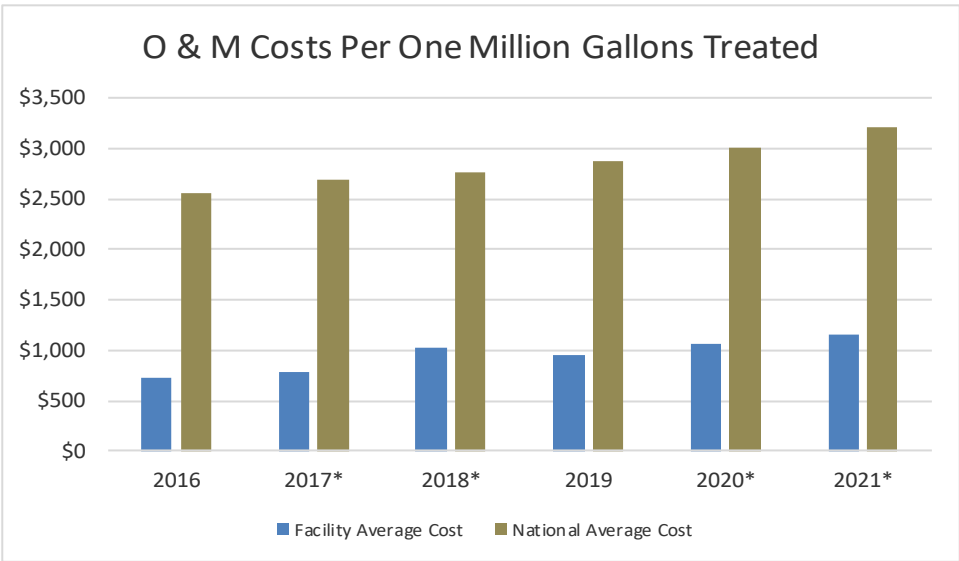
Expense Chart:



The Administrative Department includes General Manager, Human Resources, Finance and Warehouse, and Information Technology. The Operations Department includes Superintendent, Maintenance, Electrical, Building and Grounds, Bio-solids, and Energy Management.

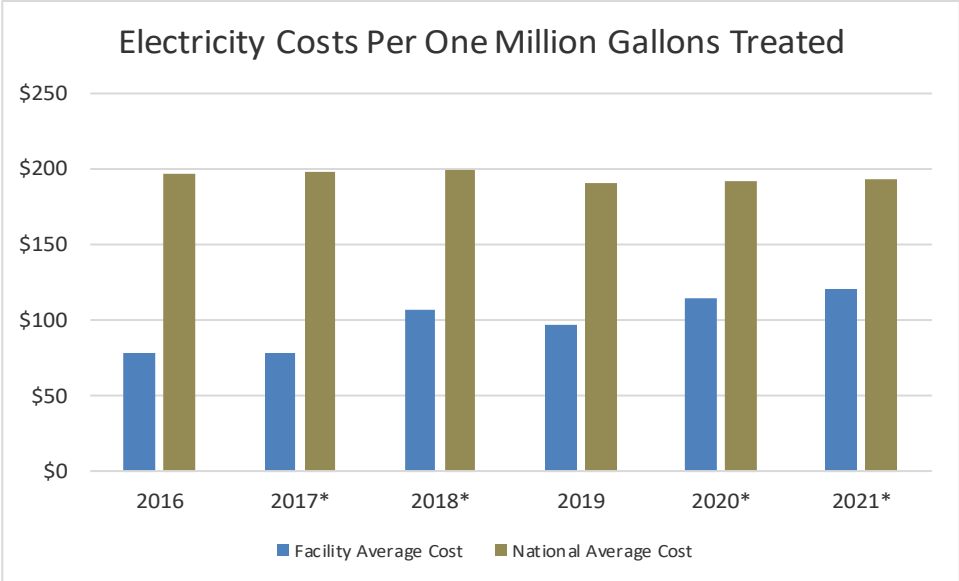
Costs Per One Million Gallons Treated:

Total Operation & Maintenance (O&M) Costs

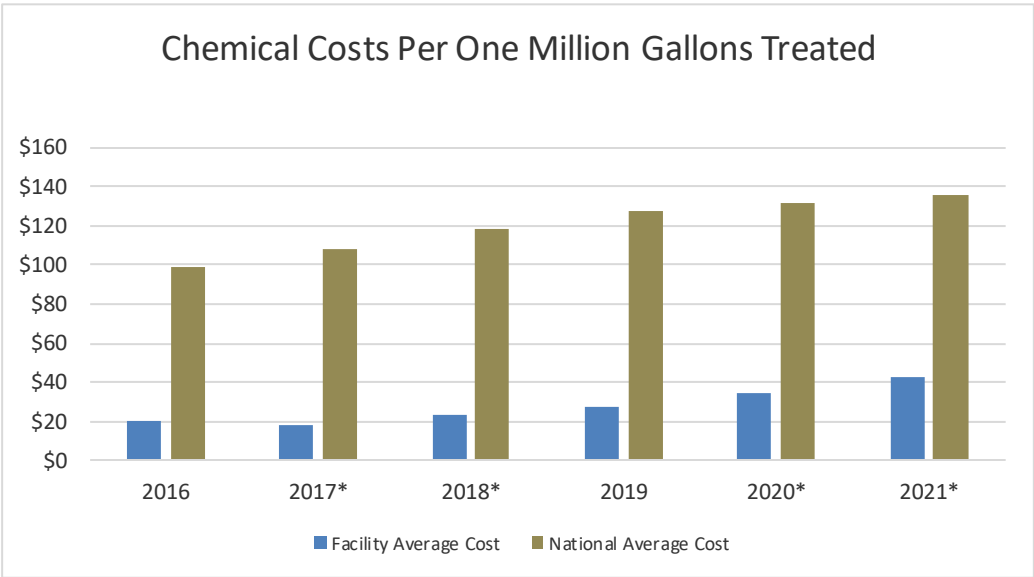


**Central Valley Water Reclamation Facility
Management’s Discussion and Analysis**

Electricity Costs



Chemical Costs



The charts above compare the Facility’s cost to treat one million gallons of wastewater to the national averages in total, by electricity use, and chemicals use. The information for these charts came from the National Association of Clean Water Agencies (NACWA), Financial Survey/ Executive Highlights/ July 2018. The 2017*-2020* projected numbers used the stated escalation rate in this Financial Survey.

**Central Valley Water Reclamation Facility
Management's Discussion and Analysis**

Capital Assets and Debt Administration:

Capital Assets

The Facility's net capital assets as of December 31, 2021, amounted to \$256,176,037 (net of accumulated depreciation). This investment in capital assets includes land, CIP, facility, facility equipment, interceptor lines, vehicles and equipment, and golf course. The Facility's net increase in capital assets was \$80,548,221. Increases in net capital assets will be a common occurrence in the future with the facility's planned upgrades.

Major capital asset events during fiscal year 2021 included the following:

- Nutrient removal process construction & design \$32,325,841
- Blower building construction \$12,971,308
- 3 water pump & cooling station construction \$8,478,707
- Headworks screening & grit system \$7,909,758
- Sidestream phosphorus design \$5,278,587
- Sidestream nitrogen design \$3,477,857
- Digester lids replacement \$3,418,735
- Thickening building design \$2,396,570
- Big cottonwood siphon lining \$1,972,407
- Maintenance building HVAC replacement \$1,435,586
- Cogeneration system and biogas treatment system replacement \$1,404,766
- Fire alarm system \$1,227,753

Capital Assets Net of Accumulated Depreciation

	2021	2020
Land	\$ 10,147,897	\$ 10,147,897
Construction in progress	124,735,495	64,376,384
Facility	46,197,225	50,576,842
Facility equipment	51,770,441	28,647,605
Interceptor lines	18,948,835	17,557,329
Vehicles and equipment	4,215,544	4,141,306
Golf course	160,600	180,453
Total capital assets (net of acc. depreciation)	\$ 256,176,037	\$ 175,627,816

**Central Valley Water Reclamation Facility
Management's Discussion and Analysis**

Capital Costs Per One Million Gallons Treated

Capital Depreciation Costs Chart

Years	Average Daily Flow	Facility Cost Per One Million Gallons Treated
2021	48.02	\$458
2020	49.93	402
2019	50.93	335
2018	48.59	389
2017	52.22	278
2016	50.10	310

Information taken from NACWA Financial Survey/ Executive Highlights/ August 2019

*Projected from NACWA Single-Family Residential Service Charge Index

Parts of the Facility's site were once used by the Vitro Chemical Company to refine uranium from 1951 through 1968. The Utah Division of Waste Management and Radiation Control and the Department of Energy remediated the site in the 1980's. All cleanup and groundwater monitoring activities were discontinued in 2007 after approval by the U.S. Nuclear Regulatory Commission. The site is currently monitored by the U.S. Department of Energy under a long-term management plan to monitor institutional controls for the residual radioactive material that remain in subsurface soil at the site.

Prior to the upcoming construction activities, the Facility did additional soil testing at proposed construction locations and no other areas were found to be contaminated with uranium mill tailings. In 2020 calendar year, the Facility ran into uranium mill tailings in the Blower Building Construction Site. The State of Utah Division of Waste Management and Radiation Control was contacted. The tailings were sampled and tested by an engineering firm and labeled low level risk, which meant no additional precautions were needed. In 2021, there were no additional uranium mill tailings found during the calendar year's construction.

Additional information on the Facility's capital assets can be found in Note 6.

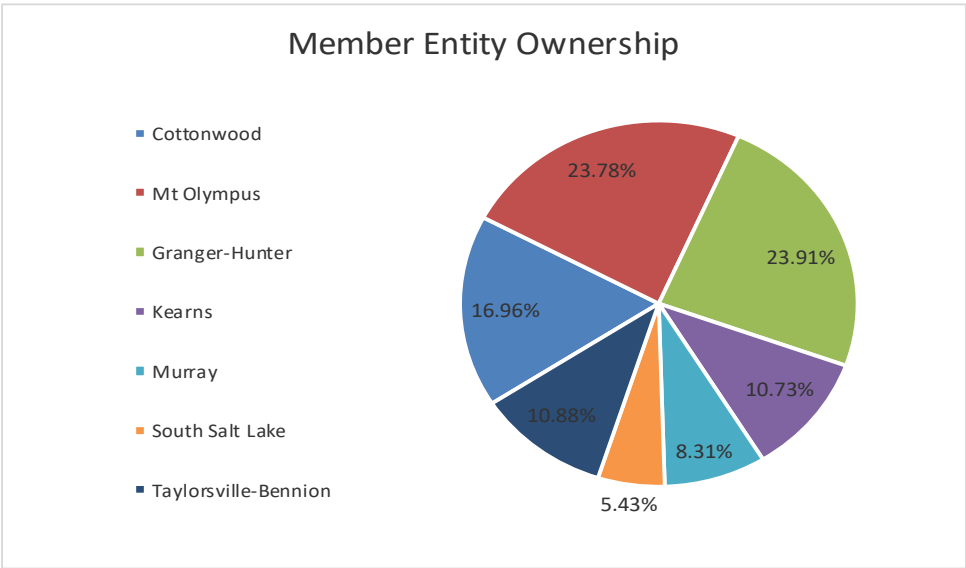
Long-term Debt:

At the end of the current fiscal year, the Facility had total debt net of premiums of \$278,580,000. The debt represents bonds secured solely by sewer revenue and Member Entity pledges. The Facility's debt increased by \$206,230,000 during 2021 calendar year. This was composed of \$150,825,000 public bonds, a \$25,000,000 direct placement bond, and \$33,000,000 from the State Revolving Fund Loan. These bond issues were issued to help fund the facility upgrades and to secure the capital funding needs for a large portion of the remaining project required to be completed by the end of 2024. There will be smaller rehabilitation projects ongoing over the next 20 years, these smaller projects are expected to be funded by pay-go capital Member Entity contributions.

Additional information on the Facility's long-term debt can be found in Note 7.

**Central Valley Water Reclamation Facility
Management’s Discussion and Analysis**

Member Entity Ownership:



The table below shows the change in Member Entity ownership in 2021.

Member Entity	Beginning	Ending
Cottonwood	17.90%	16.96%
Mt Olympus	23.40%	23.78%
Granger-Hunter	22.67%	23.91%
Kearns	10.63%	10.73%
Murray	8.70%	8.31%
South Salt Lake	5.81%	5.43%
Taylorsville-Bennion	10.89%	10.88%

Final Comments:

This financial report is designed to provide taxpayers, customers, and creditors with a general overview of the Facility’s finances and to demonstrate the Facility’s accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Justin Zollinger of the Central Valley Water Reclamation Facility, 800 West Central Valley Road, Salt Lake City, Utah 84119 or by phone (801) 973-9100 ext. 161.

Financial Statements

Central Valley Water Reclamation Facility
Balance Sheet
December 31, 2021

Assets

Current assets:	
Cash and cash equivalents	\$ 4,208,784
Accounts receivable:	
Members	4,688,124
Other	88,343
Due from other government - Kearns	1,505,000
Inventory	378,852
Prepaid items	71,719
	<hr/>
Total current assets	10,940,822
Noncurrent assets:	
Restricted cash	211,850,982
Capital assets	
Land	10,147,897
Construction in progress	124,735,495
Facility	163,172,583
Facility equipment	70,703,843
Interceptor lines	30,945,615
Vehicles & equipment	10,928,439
Golf course	5,601,756
Accumulated depreciation	(160,059,591)
	<hr/>
Total noncurrent assets	468,027,019
	<hr/>
Total assets	478,967,841

Liabilities

Current liabilities:	
Accounts payable	10,737,940
Accrued liabilities	579,520
Retainage	5,224,186
Compensated absences	666,221
Interest payable	3,536,390
Bonds payable	4,585,000
	<hr/>
Total current liabilities	25,329,257
Noncurrent liabilities:	
Compensated absences	716,188
Bonds payable, net	313,175,402
	<hr/>
Total noncurrent liabilities	313,891,590
	<hr/>
Total liabilities	339,220,847

Net Position

Net investment in capital assets	112,708,829
Restricted for debt service	20,294,944
Unrestricted	6,743,221
	<hr/>
Total net position	139,746,994
	<hr/>
Total liabilities and net position	\$ 478,967,841

See accompanying notes to the financial statements

Central Valley Water Reclamation Facility
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2021

Operating Revenue

Member entity charges	\$ 20,151,408
Septage	540,744
Compost	260,609
Rent	95,628
Miscellaneous	358,392
	<hr/>
Total operating revenues	21,406,781

Operating Expenses

Operations	12,643,335
Administrative	3,891,884
Lab	989,979
Engineering	1,694,098
Pretreatment	941,974
Board	35,308
Depreciation	8,032,701
	<hr/>
Total operating expenses	28,229,279
	<hr/>
Operating income (loss)	(6,822,498)

Non-Operating Revenues (Expenses)

Interest income	453,311
Interest expense	(7,227,421)
Sale of capital assets	170,842
	<hr/>
Total non-operating revenues, net	(6,603,268)
	<hr/>
Income (loss) before member contributions	(13,425,766)
Member contributions	30,558,177
	<hr/>
Change in net position	17,132,411
Net position, beginning of year	122,614,583
	<hr/>
Net position, end of year	<u>\$ 139,746,994</u>

See accompanying notes to the financial statements

**Central Valley Water Reclamation Facility
Statement of Cash Flows
For the Year Ended December 31, 2021**

<u>Cash flows from operating activities</u>	
Receipts from members and customers	\$ 21,501,214
Payments to suppliers	(1,518,464)
Payments to employees	<u>(12,581,277)</u>
Net cash provided (used) by operating activities	<u>7,401,473</u>
<u>Cash flows from capital and related financing activities</u>	
Capital contributions from members	19,719,545
Member entity contributions received for debt service	11,276,132
Principal paid on capital debt	(2,595,000)
Interest and fiscal charges paid on capital debt	(5,857,233)
Proceeds from issuance of debt	239,869,295
Proceeds from sale of capital assets	179,577
Purchases of capital assets	<u>(88,589,656)</u>
Net cash provided by financing activities	<u>174,002,660</u>
<u>Cash flows from investing activities</u>	
Interest income	<u>453,311</u>
Net cash provided by investing activities	<u>453,311</u>
Net (decrease) increase in cash and cash equivalents	<u>181,857,444</u>
Cash and cash equivalents, beginning of year	<u>34,202,322</u>
Cash and cash equivalents, end of year	<u><u>\$ 216,059,766</u></u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>	
Operating income (loss)	\$ (6,822,498)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	8,032,701
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	94,433
Inventory	(57,539)
Prepaid expenses	(45,555)
Increase (decrease) in:	
Accounts payable	5,981,407
Accrued liabilities	75,664
Compensated absences	<u>142,860</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,401,473</u></u>

See accompanying notes to the financial statements

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Central Valley Water Reclamation Facility (the Facility) conform to generally accepted accounting principles as applicable to governmental units and are in accordance with established State of Utah legal restrictions as promulgated in the Fiscal Procedures Act. The following is a summary of the more significant policies.

Reporting Entity

The Facility's financial statements are prepared on a basis consistent with Internal Service Fund Reporting. Internal service funds are used to account for goods or services provided by a central service department or agency to other departments or agencies of the governmental unit, or to other governments, generally on a cost recovery basis. Accordingly, revenue and other financial resources of these funds should recover expenses, including depreciation and amortization. The Board of Directors has adopted a policy not to recover depreciation and amortization from the members who own the Facility.

In determining the reporting entity, the Facility applied the criteria of Statement No. 14 as amended by Statement No. 61 of the Government Accounting Standards Board (GASB). The underlying concept of Statement No. 14 as amended is that the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria used for determining financial accountability is whether the Facility's Board appoints a voting majority of the potential component units' (PCU) Board, whether the Board of the primary government can impose their will on the PCU and whether the PCU imposes a financial benefit or burden on the primary government. Central Valley Water Reclamation Facility applied these criteria and concludes there are no potential component units that should be included in the reporting entity, nor is Central Valley Water Reclamation Facility a component unit of any other entity.

Basis of Accounting

The Facility is an enterprise fund and uses the accrual basis of accounting. An enterprise fund is used to account for operations that are financed and operated in a manner like private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recognized when earned, and expenses are recognized when incurred.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Facility are sewer service charges. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**Central Valley Water Reclamation Facility
Notes to the Financial Statements**

Organization

The Facility was organized on October 17, 1978, pursuant to the Interlocal Co-operation Act of the State of Utah by five special purpose government entities and two cities. The Facility began operations during 1986 and its purpose is to plan, construct, and operate a regional sewage treatment facility for the benefit of the seven members.

The construction of the treatment facility plant, over the years, has been funded by equity contributions from the seven members in proportion to their ownership interests, by grants from the Environmental Protection Agency of the Federal Government, publicly issued bonds, and taxable sewer revenue bonds from the Utah State Division of Water Quality.

Part of the Facility's site footprint was previously used to produce uranium by the Vitro Chemical Company from 1951 to 1968. Clean-up of the site was by the Utah Division of Waste Management and Radiation Control and the Department of Energy who funded the effort. The Facility also contributed.

On January 1st, 2017, the Member Entities moved to a single ownership percentage. These percentages are updated annually and are below:

Member Entity	Beginning Net Position Ownership		2020 Capital/Bond Draws Contributions		Ending Net Position Ownership	
Cottonwood	\$ 21,948,010	17.90%	\$ 13,867,651	18.3866%	\$ 23,701,090	16.96%
Mt Olympus	28,691,811	23.40%	21,528,140	22.8006%	33,231,834	23.78%
Granger-Hunter	27,796,728	22.67%	22,725,704	22.9532%	33,413,508	23.91%
Kearns	13,033,930	10.63%	9,622,493	10.9200%	14,994,852	10.73%
Murray	10,667,469	8.70%	6,875,307	8.7471%	11,612,975	8.31%
South Salt Lake	7,123,907	5.81%	4,334,562	6.0535%	7,588,262	5.43%
Taylorsville-Bennion	13,352,728	10.89%	9,635,803	10.1390%	15,204,473	10.88%
Net Position	\$ 122,614,583	100.00%	\$ 88,589,660	100.00%	\$ 139,746,994	100.00%

Cash and Cash Equivalents

Cash & cash equivalents are generally considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the purchase date. The distribution of the Member Entity cash ownership is as follows:

Member Entity	Amount
Cottonwood	\$713,810
Mt Olympus	1,000,849
Granger-Hunter	1,006,319
Kearns	451,603
Murray	349,750
South Salt Lake	228,537
Taylorsville-Bennion	457,916

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Inventory

Parts which are critical to plant operations, and parts requiring long lead times are being currently stocked by the Facility. Inventories of materials and supplies consisting principally of materials used in the repair of the Facility are valued at cost and accounted for on the first in, first out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are assets that 1) are used in operation of the facility and 2) have an initial useful life more than one year. Capital is not the costs of normal maintenance and repairs that do not add capacity to the asset or materially extend the assets useful life. The asset categories are below:

Land – Site preparation and site improvements (other than buildings) that ready land for use. The costs associated with improvements to land are added to the cost of the land. All acquisitions of land are capitalized. Land is an inexhaustible asset and does not depreciate over time.

Facility – A structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. This class also includes all building improvements. This class of assets has a purchase cost or cost of construction of \$30,000 or greater.

Facility equipment – Long-lived capital assets that are normally stationary in nature. These assets are often discrete portions of building that have a substantially shorter life than the building itself. Examples of this class of assets are HVAC systems, clarifier mechanisms, clarifier drives, elevators, UV disinfection system, dewatering equipment, tank covers, large pumps, and other major process equipment. This class of assets has a purchase cost or construction cost of \$30,000 or greater.

Interceptor lines – Long-lived capital assets that are stationary in nature. These assets are composed of wastewater lines that connect to Member Entity's collection systems to bring wastewater to the Facility for treatment. This class of assets has a purchase cost or construction cost of \$30,000 or greater.

Vehicles and equipment – Items in this class are vehicles, information technology, and similar moveable items. This class of assets has a purchase cost of \$5,000 or greater.

Golf course – Items in this class are assets required to operate a golf course.

Construction in progress – Costs incurred to construct or develop a tangible or intangible capital asset before it is ready to be placed into service (at which time the asset would be reclassified into the appropriate major class).

**Central Valley Water Reclamation Facility
Notes to the Financial Statements**

Facility buildings, facility equipment, vehicles and equipment, and golf course assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Descriptions</u>	<u>Life in Years</u>
Facility	20 to 40
Facility equipment	10 to 30
Interceptor lines	20 to 40
Vehicles and equipment	5 to 10
Golf course	20 to 40

Compensated Absences

Unpaid vacation amounts are accumulated throughout the year, not to exceed 296 hours at year end. Vacation and sick pay amounts are charged as wages when used. Terminated employees are not paid for unused sick leave. Qualified retiring employees are paid up to 1,080 hours of accumulated sick leave hours. An employee qualifies for retirement if he or she is 59 ½ or if they have worked for the Facility for more than 25 years.

Revenues

Revenues are received from the Member Entities based on the inflow allocation formula for operations and maintenance and the applicable percentage for capital expenditures.

Net position flow assumptions

Sometimes the Facility will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the enterprise fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Facility’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

The Facility prepares an annual budget on the modified cash basis of accounting, which is filed with the State of Utah. The Facility starts the annual budget preparation in July at the Department level. The Departments prepare their budget requests and submit them to the General Manager for review. Budget review meetings are held in August.

The tentative budget is presented to the Board in the September board meeting. After Board requested changes are made, the final budget is approved in the October board meeting. Additional budget meetings are scheduled as needed.

The Member Entities are provided monthly financial reports, comparing the annual budget to year-to-date expenses, as wells as financial results.

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Note 3 – Investments

Investments

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

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

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

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

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

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

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

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Fair Value of Investments

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

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

The following are the Facility’s cash and cash equivalents as of December 31, 2021:

Investment Type	Investment Maturities in Years		
	Level 2		
	Amortized Cost Basis	Less Than 1	1 - 5
Zions Bank - Public Treasurer's Investment Fund	\$ 206,981,550	\$ 206,981,550	-
Public Treasurer's Investment Fund	\$ 7,790,425	\$ 7,790,425	-
Total	\$ 214,771,975	\$ 214,771,975	\$ -

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

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

- Utah Public Treasurer’s Investment Fund: application of the December 31, 2021 fair value factor of 1.00002368, as calculated by the Utah State Treasurer, to the Facility’s average daily balance in the fund is \$214,777,061.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Facility’s deposits may not be returned to it. This also applies to investments. The Facility does not have a formal policy for custodial credit risk. As of December 31, 2021, \$1,312,660 of the Facility’s bank balances were uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Facility’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of institutions of higher education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Facility's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of December 31, 2021, the Facility's investments in the Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Facility's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio. The deposits and cash and cash equivalents are included on the balance sheet.

Note 4 – Receivables from Member Entities

The receivables from the Member Entities on December 31, 2021 are comprised of the following:

<u>Entity</u>	<u>Receivables Balance</u>
Cottonwood	\$ 690,674
Mt Olympus	928,386
Granger-Hunter	1,194,726
Kearns	470,111
Murray	362,092
South Salt Lake	635,990
Taylorsville-Bennion	406,145
Total	<u>\$ 4,688,124</u>

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Note 5 – Retirement Plan

Central Valley Water Reclamation Facility sponsors two defined contribution retirement plans. The 401(a) plan is employer funded, and the 457(b) is employee funded. Calendar year 2018 was the first year the 457(b)-retirement plan was available to employees. Eligible employees consist of all permanent full-time employees. The Facility’s total contribution for the 401(a)-retirement plan is 25% of the employee’s annual salary. An employee may contribute to the 457(b) up to \$19,500 if under 50 years old and contribute an additional \$6,500 if over 50 years of age. Contributions to the retirement plans are in the table below:

Retirement Plan	2021	2020	2019
401(a) Plan			
Employer contributions	\$1,995,645	\$1,873,459	\$1,774,753
Employee contributions	-	-	-
457(b) Plan			
Employer contributions	-	-	-
Employee contributions	454,882	408,902	337,061

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Note 6 – Capital Assets

Capital assets for the year ended December 31, 2021 were as follows:

	Beginning	Increases	Decreases	Transfers	Ending
Capital assets, not depreciated:					
Land	\$ 10,147,897	\$ -	\$ -	\$ -	\$ 10,147,897
Construction in progress	64,376,384	86,344,125	-	(25,985,014)	124,735,495
Total capital assets, not depreciated	74,524,281	86,344,125	-	(25,985,014)	134,883,392
Capital assets, depreciated:					
Facility	171,808,212	30,481	(8,666,110)	-	163,172,583
Facility equipment	57,285,749	1,185,672	(11,560,541)	23,792,963	70,703,843
Interceptor lines	28,843,821	-	-	2,101,794	30,945,615
Vehicles and equipment	10,099,155	1,029,378	(290,351)	90,257	10,928,439
Golf course	5,601,756	-	-	-	5,601,756
Total capital assets, depreciated	273,638,693	2,245,531	(20,517,002)	25,985,014	281,352,236
Less: accumulated depreciation:					
Facility	(121,231,370)	(4,410,098)	8,666,110	-	(116,975,358)
Facility equipment	(28,638,144)	(1,855,799)	11,560,541	-	(18,933,402)
Interceptor lines	(11,286,492)	(710,288)	-	-	(11,996,780)
Vehicles and equipment	(5,957,849)	(1,036,663)	281,617	-	(6,712,895)
Golf course	(5,421,303)	(19,853)	-	-	(5,441,156)
Total accumulated depreciation	(172,535,158)	(8,032,701)	20,508,268	-	(160,059,591)
Total capital assets being depreciated, net	101,103,535	(5,787,170)	(8,734)	25,985,014	121,292,645
Capital assets, net	\$ 175,627,816	\$ 80,556,955	\$ (8,734)	\$ -	\$ 256,176,037

During 2021, the Facility disposed of capital assets at a net gain of \$170,842. Depreciation expense for the year ended December 31, 2021 was \$8,032,701.

**Central Valley Water Reclamation Facility
Notes to the Financial Statements**

Note 7 – Long-Term Debt

Revenue bonds outstanding on December 31, 2021 are as follows:

	Beginning	Additions	Reductions	Ending	Due in One Year
Revenue Bonds					
2017A series	\$ 25,785,000	\$ -	\$ 1,015,000	\$ 24,770,000	\$ 1,060,000
2017B series	2,265,000	-	430,000	1,835,000	440,000
2019A series	34,300,000	-	1,150,000	33,150,000	1,205,000
2021B series	-	23,720,000	-	23,720,000	775,000
2021C series	-	127,105,000	-	127,105,000	-
2017A premium	3,517,692	-	219,856	3,297,836	-
2019A premium	5,787,370	-	312,831	5,474,539	-
2021B premium	-	3,076,590	76,914	2,999,676	-
2021C premium	-	27,967,705	559,354	27,408,351	-
Direct Placements Bank Note	-	25,000,000	-	25,000,000	1,105,000
Direct Placements SRF Note	10,000,000	33,000,000	-	43,000,000	-
Total	<u>\$ 81,655,062</u>	<u>\$ 239,869,295</u>	<u>\$ 3,763,955</u>	<u>\$ 317,760,402</u>	<u>\$ 4,585,000</u>

The Facility refunded the 2005 sewer revenue bonds with the 2017B series revenue bonds. Kearns Improvement District is the only Member Entity that is obligated on this bond.

In 2017, 2019, and 2021 the Facility issued 2017A, 2019A, 2021B, and 2021C series sewer revenue bonds to fund facility process upgrades. Bonds were rated AA from Standard & Poor's and Fitch. The bonds were publicly issued bonds with a revenue pledge. In the event of default, payments may be accelerated. The bonds are for the new treatment process and for plant renewal. The new treatment process was designed and selected to reduced phosphorus levels to the new State mandated level.

Central Valley Water Reclamation Facility
Notes to the Financial Statements

The revenue bonds outstanding and due as of December 31, 2021 from the various Member Entities are as follows:

Bond Series	Amount	Percentage
2017A series sewer revenue bonds		
Cottonwood Improvement District	\$ 7,693,562	31.06%
Granger-Hunter Improvement District	10,844,304	43.78%
Murray City	3,769,994	15.22%
South Salt Lake	2,462,138	9.94%
2017B series sewer revenue bonds		
Kearns Improvement District	1,835,000	100.00%
2019A series sewer revenue bonds		
Cottonwood Improvement District	9,384,765	28.31%
Granger-Hunter Improvement District	13,230,165	39.91%
Kearns Improvement District	5,937,165	17.91%
Murray City	4,597,905	13.87%
2021B series sewer revenue bonds		
Cottonwood Improvement District	4,022,912	16.96%
Mt Olympus Improvement District	5,640,616	23.78%
Granger-Hunter Improvement District	5,671,452	23.91%
Kearns Improvement District	2,545,156	10.73%
Murray City	1,971,132	8.31%
South Salt Lake	1,287,996	5.43%
Taylorsville-Bennion Improvement District	2,580,736	10.88%
2021C series sewer revenue bonds		
Cottonwood Improvement District	22,789,927	17.93%
Mt Olympus Improvement District	31,966,908	25.15%
Granger-Hunter Improvement District	32,132,144	25.28%
Kearns Improvement District	14,426,418	11.35%
Murray City	11,172,530	8.79%
Taylorsville-Bennion Improvement District	14,617,075	11.50%

The Facility, in June 2020, closed on a Division of Water Quality State Revolving Fund (SRF) direct placement note for \$65.1 million dollars. The funds are released throughout the construction period of the Nutrient Removal project. Thirty-three million dollars were released for Facility contractor payments in 2021. The note is on par with the previous bonds the Facility has issued.

A default provision, in the SRF note, states that the note's interest rate will be increased to 18 percent if any payment is missed. This rate would stay in effect until the default is cured.

The Facility, in March 2021, closed on a Bank of Utah direct placement note for \$25 million dollars. The funds are available to use for reimbursement of new treatment process enhancements and for plant renewal. The note is on par with the previous bonds the Facility has issued.

**Central Valley Water Reclamation Facility
Notes to the Financial Statements**

The SRF and Bank of Utah notes outstanding and due as of December 31, 2021 from the various Member Entities are as follows:

Notes from Direct Placement	Amount	Percentage
2020 State Revolving Fund Note		
Cottonwood Improvement District	\$ 7,709,900	17.93%
Mt Olympus Improvement District	10,814,500	25.15%
Granger-Hunter Improvement District	10,870,400	25.28%
Kearns Improvement District	4,880,500	11.35%
Murray City	3,779,700	8.79%
Taylorsville-Bennion Improvement District	4,945,000	11.50%
2021A Bank of Utah Note		
Cottonwood Improvement District	4,240,000	16.96%
Mt Olympus Improvement District	5,945,000	23.78%
Granger-Hunter Improvement District	5,977,500	23.91%
Kearns Improvement District	2,682,500	10.73%
Murray City	2,077,500	8.31%
South Salt Lake	1,357,500	5.43%
Taylorsville-Bennion Improvement District	2,720,000	10.88%

Revenue bond and direct placement debt service requirements to maturity are as follows:

Year	Bonds		Notes from Direct Placement	
	Principal	Interest	Principal	Interest
2022	\$ 3,480,000	\$ 8,907,035	\$ 1,105,000	\$ 1,376,863
2023	6,450,000	8,669,460	3,929,000	1,368,264
2024	6,775,000	8,348,893	3,980,000	1,316,529
2025	7,100,000	8,021,750	4,034,000	1,263,234
2026	6,940,000	7,696,475	4,089,000	1,208,623
2027-31	40,250,000	32,944,675	21,322,000	5,164,235
2032-36	50,030,000	23,147,850	22,973,000	3,512,786
2037-41	46,195,000	12,860,100	24,932,000	1,551,423
2042-46	35,390,000	5,246,000	3,736,000	56,040
2047-51	7,970,000	159,400	-	-
Total	\$ 210,580,000	\$ 116,001,638	\$ 90,100,000	\$ 16,817,997

Central Valley Water Reclamation Facility
Notes to the Financial Statements

Note 8 – Ground Lease Agreement

During 1991, the Facility entered into an agreement to lease approximately forty acres of real property, which had been assigned to DD&B, LC, a Utah limited partnership, for the purpose of constructing and operating a golf practice facility. In 2008, the Facility entered into a management agreement with Central Valley Golf Shop, LLC to manage the golf course section of the 40 acres of real property while the driving range section remained under a revised lease agreement with DD&B, LC.

In 2012, the DD&B, LC lease was assigned to Scott & Roth Golf Management, LLC and the Facility terminated the management agreement with Central Valley Golf Shop, LLC. The Facility entered a consolidated lease with Scott & Roth Golf Management, LLC in 2012 for the forty acres of real property. The terms of the lease provide for a quarterly lease payment of 4% of gross revenue generated from golf course green fees, cart rental fees, and driving range ball fees. During the year ended December 31, 2021 the Facility received net lease payments of \$34,652 from Scott & Roth Golf Management, LLC.

Note 9 – Construction Commitments

The Facility has entered several contracts to upgrade and replace the facility and facility equipment. As of December 31, 2021, the Facility's significant commitments are found below:

<u>Project</u>	<u>Amount</u>
BNR Basins	\$ 83,731,743
Blower Building	33,472,179
Sidestream Nitrogen	19,108,721
Sidestream Phosphorus	4,670,427
3 Water Improvement	3,178,082
Cathodic Protection System	611,629
Total	<u><u>\$ 144,772,781</u></u>

Note 10 – Risk Management

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Facility purchases commercial insurance. During the year ended December 31, 2021 the Facility did not reduce insurance coverages from coverage levels in place as of January 1, 2021. No settlements have exceeded coverage levels in place during 2019, 2020, and 2021.

Note 11 – Subsequent Events

None

Supplemental Reports



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Central Valley Water Reclamation Facility
Salt Lake City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Valley Water Reclamation Facility (the Facility), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Facility's basic financial statements, and have issued our report thereon dated March 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Facility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Keddington & Christensen, LLC

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March 3, 2022

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

To the Board of Directors
Central Valley Water Reclamation Facility
Salt Lake City, Utah

Report on Compliance

We have audited Central Valley Water Reclamation Facility's (the Facility) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended December 31, 2021.

State compliance requirements were tested for the year ended December 31, 2021 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Government Fees
- Cash Management

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the Facility's compliance with those requirements.

Opinion on Compliance

In our opinion, Central Valley Water Reclamation Facility complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2021.

Report on Internal Control Over Compliance

Management of the Facility is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Facility's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control over compliance.

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

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
March 3, 2022