

FINANCIAL STATEMENTS

DECEMBER 31, 2024



# Central Valley Water Reclamation Facility



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CERTIFIED PUBLIC  
ACCOUNTANTS

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

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, 2024, 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, 2024, 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 10, 2025, 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.

*K&C, CPAs*

K&C, Certified Public Accountants  
Woods Cross, Utah  
March 10, 2025

## **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 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 percent of construction costs. The Member Entities provided the remaining 58 percent of costs in proportion to their ownership interests. Subsequent expansions were financed by Member Entity contributions.

The Facility is the largest in the state in terms of capacity and population served. It currently serves a population of approximately 600,000, representing approximately 50 percent of Salt Lake County (U.S Census population estimate of Salt Lake County as of 2022 was 1,186,257). 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, 2024. 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 on the new phosphorus limit was granted by DWQ through December 31, 2024, to allow the Facility to design and construct the treatment processes necessary to comply with the TBPEL Rule. The necessary plant process upgrades were scheduled to be constructed and operational by mid-2024 to be in compliance with the phosphorus limit by January 1, 2025. However, with Covid-19 and supply chain related delays, startup and compliance with the new limit and the permit associated with this limit has been extended to July 1, 2026. The Facility is scheduled to be in full compliance with the TBPEL rule by this date.

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

The history behind the new process selection started with the Facility's leadership establishing 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 similar to the Westside (also known as Westbank) process employed at the Westside Regional Plant in Kelowna, BC Canada.

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 DWQ for review and issuance of a construction permit. The last design work was completed in 2023. Construction of the main BNR facilities was started in the spring of 2020 and all project components are expected to be constructed and in operation by mid-2025.

Much of the existing facility equipment and infrastructure is now over 35 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, its risk of failure, and the consequence of failure. The Facility has implemented a new computerized maintenance and asset 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 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 2024, with \$60,187,290 going into plant upgrades.
- The Facility put in service \$43,518,381 in capital assets in 2024.
- In 2024, management identified additional digester projects that needed to be completed to treat an increase in biosolids from the new BNR process. These projects were included in the \$85,780,000 bond.
- The Facility issued the last bond of \$85,780,000 for the completion of the construction projects.
- The Facility's net position increased by \$13,381,017 due primarily to revenue received for future capital and bond payments.
- The Facility cancelled the ground lease agreement that was signed in 2022 for the golf course property. No development is expected to occur with this property in the near future.

## **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, 2024, and 2023.

	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 156,393,320	\$ 114,794,587
Capital assets	<u>450,783,052</u>	<u>399,653,459</u>
Total assets	<u><u>607,176,372</u></u>	<u><u>514,448,046</u></u>
Current and other liabilities	36,232,775	32,060,814
Long-term liabilities	<u>386,569,602</u>	<u>311,394,254</u>
Total liabilities	<u><u>422,802,377</u></u>	<u><u>343,455,068</u></u>
Net investment in capital assets	146,265,877	137,955,069
Restricted for debt service	33,023,395	24,752,197
Unrestricted	<u>5,084,723</u>	<u>8,285,712</u>
Total net position	<u><u>184,373,995</u></u>	<u><u>170,992,978</u></u>
Total liabilities and net position	<u><u>\$ 607,176,372</u></u>	<u><u>\$ 514,448,046</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 \$184,373,995 as of December 31, 2024. The largest portion of the Facility's net position, \$146,265,877, 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 wastewater treatment operations; they are not available for future spending. The Facility will be increasing net investment in capital assets over the next 3 years as it goes through treatment process upgrades.

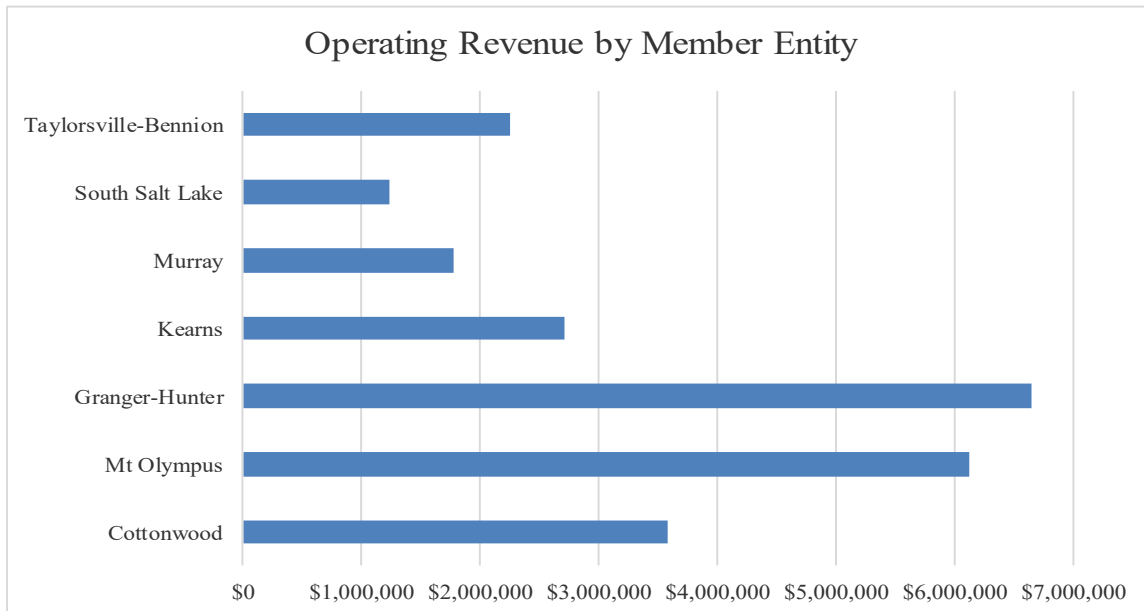


**Central Valley Water Reclamation Facility  
Management’s Discussion and Analysis**

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 2024, net position increased by \$13,381,017, primarily driven by member contributions for debt service and capital payments.

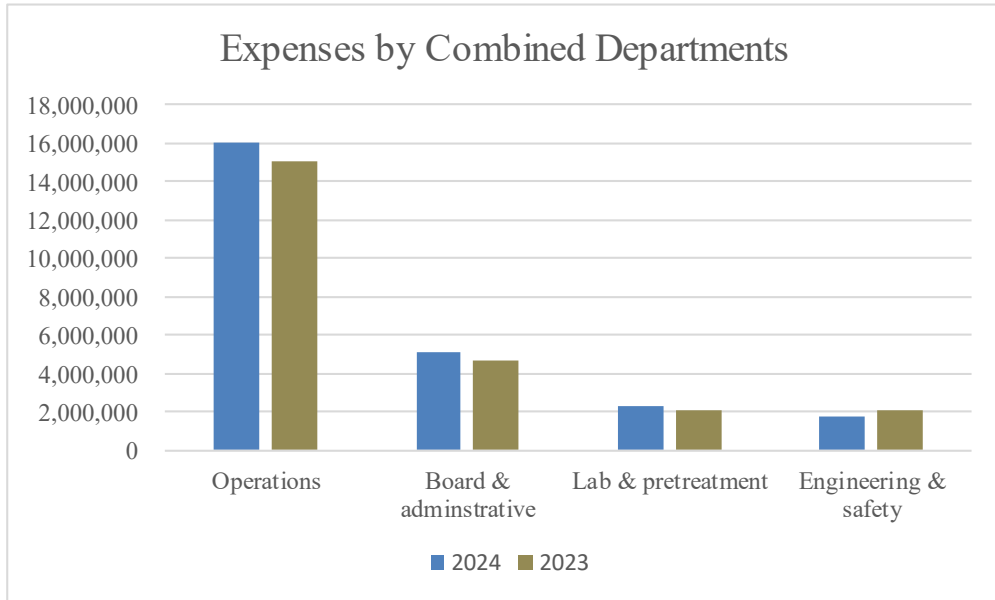
	<b>2024</b>	<b>2023</b>
Operating revenues	\$ 25,749,066	\$ 24,718,077
Non-operating revenues	385,517	6,363,531
Total revenues	<u>26,134,583</u>	<u>31,081,608</u>
Depreciation expense	9,985,044	9,846,742
Operating expense	25,063,108	23,804,459
Non-operating expense	8,569,900	8,086,582
Total expenses	<u>43,618,052</u>	<u>41,737,783</u>
(Loss) before member contributions	(17,483,469)	(10,656,175)
Member contributions	<u>30,864,486</u>	<u>27,818,713</u>
Change in net position	13,381,017	17,162,538
Net position - beginning of year	<u>170,992,978</u>	<u>153,830,440</u>
Net position - end of year	<u>\$ 184,373,995</u>	<u>\$ 170,992,978</u>

**Operating Revenue by Member Entity:**



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

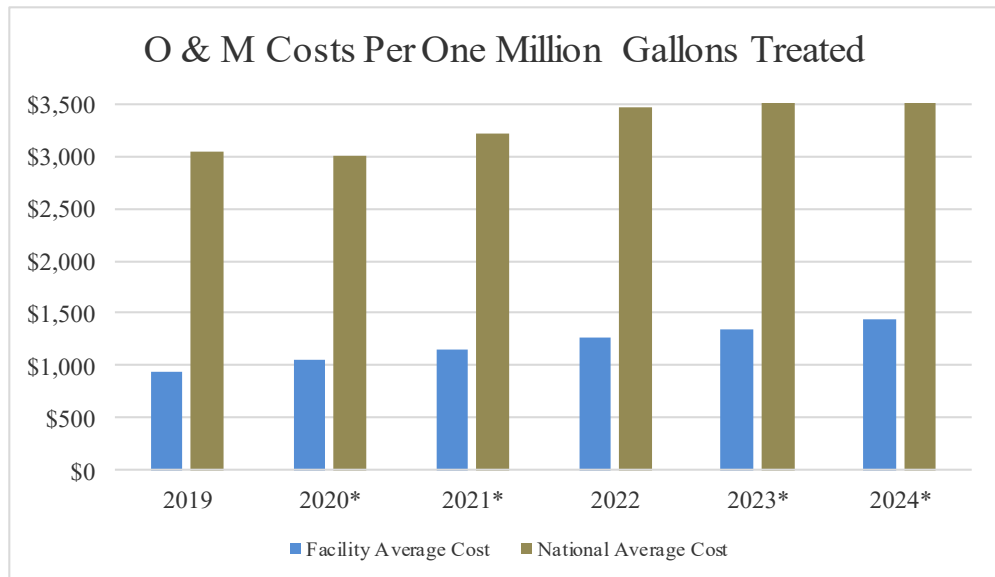
**Expense Chart:**



The Administrative Department includes the 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:**

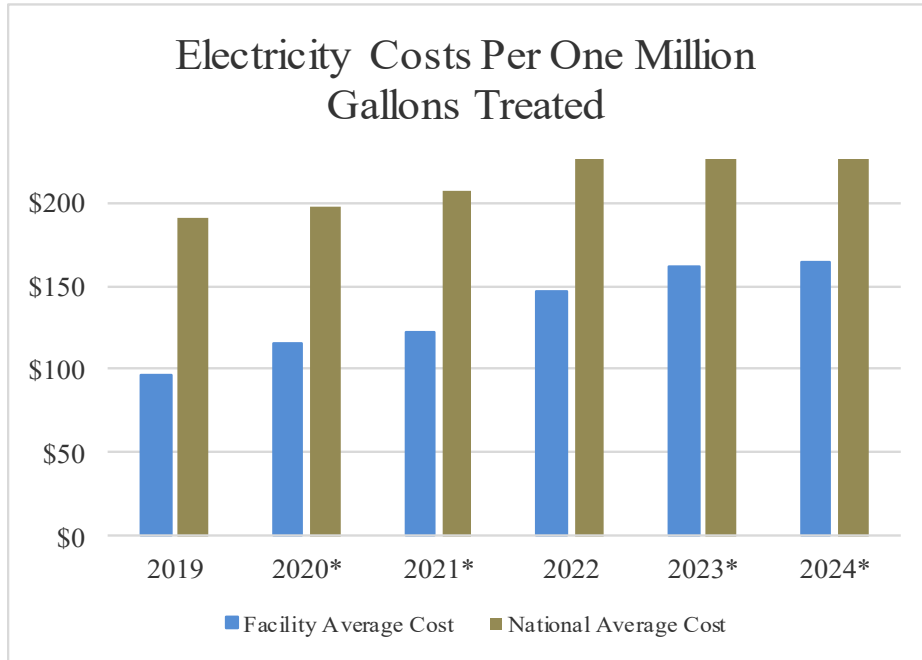
***Total Operation & Maintenance (O&M) Costs***



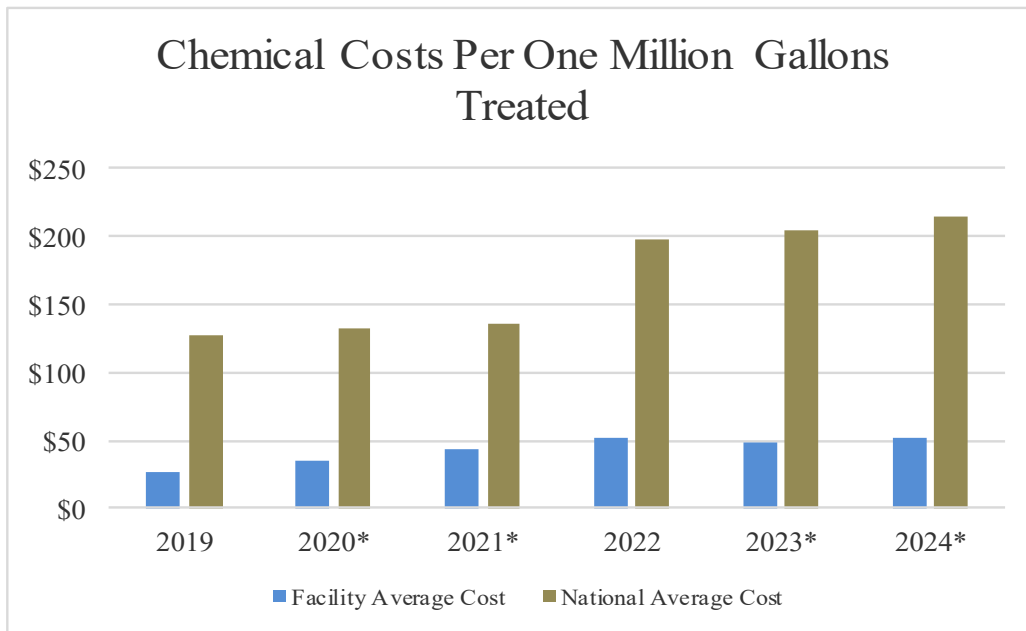
The above chart costs are one piece of the overall cost of wastewater treatment for our customers, as other costs reside with the Facility’s Member Entities.

**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), September 2024 NACWA’s Triennial Financial Survey Executive Highlights Report. The 2020\*-2021\* and 2023\*-2024\* projected numbers used the stated escalation rate in this report.

**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, 2024, amounted to \$450,783,052 (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 \$51,129,593. 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 2024 included the following:

- Thickening building construction \$18,967,718
- Nutrient removal process construction \$18,676,321
- Dewatering building construction \$9,779,477
- Blower building construction \$4,483,610
- Sidestream nitrogen construction \$2,408,753
- Tunnel & misc. HVAC \$1,425,633
- Rolling stock \$745,403

***Capital Assets Net of Accumulated Depreciation***

	<b>2024</b>	<b>2023</b>
Land	\$ 10,147,897	\$ 10,147,897
Construction in progress	265,443,663	248,774,754
Facility	72,400,955	48,986,138
Facility equipment	83,087,140	71,069,892
Interceptor lines	16,673,471	17,431,926
Vehicles and equipment	2,926,301	3,121,956
Golf course	103,625	120,896
Total capital assets (net of acc. depreciation)	\$ 450,783,052	\$ 399,653,459

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

***Capital Costs Per One Million Gallons Treated***

<b>Capital Depreciation Costs Chart</b>		
<b>Years</b>	<b>Average Daily Flow</b>	<b>Facility Cost Per One Million Gallons Treated</b>
2024	47.64	\$574
2023	48.71	554
2022	47.40	527
2021	48.02	458
2020	49.93	402
2019	50.93	335

Parts of the Facility’s site was 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, 2022, 2023 and 2024, there were no additional uranium mill tailings found during the construction.

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

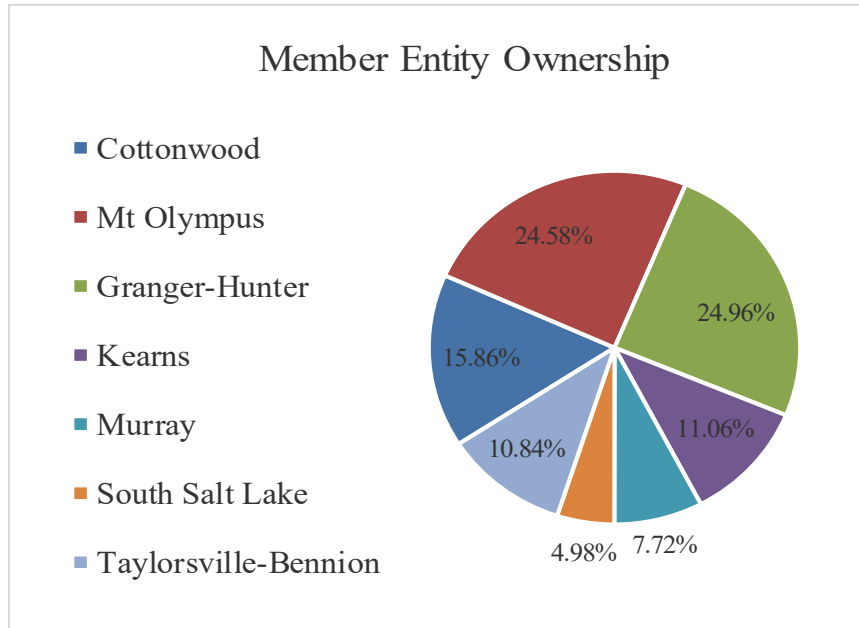
**Long-term Debt:**

At the end of the current fiscal year, the Facility had total debt net of premiums of \$360,741,000. The debt represents bonds secured solely by sewer revenue and Member Entity pledges. The Facility’s debt increased by \$75,025,000 during 2024 calendar year. The increase was from the \$85,780,000 bond required for the completion of the remaining projects. This bond amount was larger than the 2023 estimate because of the additional digester projects. No future bonding is expected in the next twenty years. 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 2024.

<b>Member Entity</b>	<b>Beginning</b>	<b>Ending</b>
Cottonwood	16.14%	15.86%
Mt Olympus	24.29%	24.58%
Granger-Hunter	24.58%	24.96%
Kearns	11.02%	11.06%
Murray	7.91%	7.72%
South Salt Lake	5.08%	4.98%
Taylorsville-Bennion	10.98%	10.84%

**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, 2024**

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,368,926
Accounts receivable:	
Members	8,931,349
Other	191,656
Due from other government - Kearns	120,000
Inventory	509,210
Prepaid items	<u>192,745</u>
Total current assets	<u>13,313,886</u>

Noncurrent assets:

Restricted cash	143,079,434
Capital assets	
Land	10,147,897
Construction in progress	265,443,663
Facility	201,115,470
Facility equipment	113,471,979
Interceptor lines	30,945,615
Vehicles & equipment	12,277,386
Golf course	5,601,756
Accumulated depreciation	<u>(188,220,714)</u>
Total noncurrent assets	<u>593,862,486</u>
Total assets	<u><u>607,176,372</u></u>

**Liabilities**

Current liabilities:

Accounts payable	4,971,378
Accrued liabilities	4,480,397
Retainage	8,369,622
Compensated absences	901,172
Interest payable	3,611,206
Bonds payable	<u>13,899,000</u>
Total current liabilities	<u>36,232,775</u>

Noncurrent liabilities:

Compensated absences	1,147,365
Bonds payable, net	<u>385,422,237</u>
Total noncurrent liabilities	<u>386,569,602</u>
Total liabilities	<u>422,802,377</u>

**Net Position**

Net investment in capital assets	146,265,877
Restricted for debt service	33,023,395
Unrestricted	<u>5,084,723</u>
Total net position	<u>184,373,995</u>
Total liabilities and net position	<u><u>\$ 607,176,372</u></u>

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, 2024**

**Operating Revenue**

Member entity charges	\$ 24,333,864
Septage	541,370
Compost	283,927
Rent	170,115
Miscellaneous	419,790
	<hr/>
Total operating revenues	25,749,066
	<hr/>

**Operating Expenses**

Operations	15,964,021
Administrative	5,040,695
Lab	1,340,685
Engineering & safety	1,734,872
Pretreatment	949,397
Board	33,438
Depreciation	9,985,044
	<hr/>
Total operating expenses	35,048,152
	<hr/>
Operating income (loss)	(9,299,086)
	<hr/>

**Non-Operating Revenues (Expenses)**

Interest income	329,667
Interest expense	(8,569,900)
Sale of capital assets	55,850
	<hr/>
Total non-operating revenues, net	(8,184,383)
	<hr/>
Income (loss) before member contributions	(17,483,469)
Member contributions	30,864,486
	<hr/>
Change in net position	13,381,017
Net position, beginning of year	170,992,978
	<hr/>
Net position, end of year	\$ 184,373,995
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See accompanying notes to the financial statements

**Central Valley Water Reclamation Facility**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2024**

<b><u>Cash flows from operating activities</u></b>	
Receipts from members and customers	\$ 23,553,364
Payments to suppliers	(9,074,350)
Payments to employees	<u>(14,852,807)</u>
Net cash provided (used) by operating activities	<u>(373,793)</u>
<b><u>Cash flows from capital and related financing activities</u></b>	
Capital contributions from members	9,299,560
Member entity contributions received for debt service	22,041,176
Principal paid on capital debt	(10,755,000)
Interest and fiscal charges paid on capital debt	(10,296,231)
Proceeds from issuance of debt	90,693,786
Proceeds from sale of capital assets	55,850
Purchases of capital assets	<u>(61,114,637)</u>
Net cash provided (used) by financing activities	<u>39,924,504</u>
<b><u>Cash flows from investing activities</u></b>	
Interest income	<u>329,667</u>
Net cash provided by investing activities	<u>329,667</u>
Net (decrease) increase in cash and cash equivalents	<u>39,880,378</u>
Cash and cash equivalents, beginning of year	<u>106,567,982</u>
Cash and cash equivalents, end of year	<u>\$ 146,448,360</u>
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>	
Operating income (loss)	\$ (9,299,086)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	9,985,044
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	(2,195,702)
Inventory	21,566
Prepaid expenses	(20,469)
Increase (decrease) in:	
Accounts payable	(2,954,149)
Accrued liabilities	3,618,276
Compensated absences	<u>470,727</u>
Net cash provided (used) by operating activities	<u>\$ (373,793)</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.

GASB 101 was implemented in 2024 which is related to accounting for compensated absences, this resulted in an increase \$307,231 in this liability.

***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, direct placement bond, 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 1<sup>st</sup>, 2017, the Member Entities moved to a single ownership percentage. These percentages are updated annually and are below:

<b>Member Entity</b>	<b>Beginning Net Position Ownership</b>		<b>2024 Capital/Bond Draws Contributions</b>		<b>Ending Net Position Ownership</b>	
Cottonwood	\$ 27,598,267	16.14%	\$ 9,204,169	15.06%	\$ 29,241,716	15.86%
Mt Olympus	41,534,194	24.29%	15,515,723	25.39%	45,319,128	24.58%
Granger-Hunter	42,030,074	24.58%	15,918,590	26.05%	46,019,749	24.96%
Kearns	18,843,426	11.02%	6,817,277	11.15%	20,391,764	11.06%
Murray	13,525,545	7.91%	4,401,048	7.20%	14,233,672	7.72%
South Salt Lake	8,686,443	5.08%	2,882,289	4.72%	9,181,825	4.98%
Taylorville-Bennion	18,775,029	10.98%	6,375,540	10.43%	19,986,141	10.84%
<b>Net Position</b>	<b>\$ 170,992,978</b>	<b>100.00%</b>	<b>\$ 61,114,636</b>	<b>100.00%</b>	<b>\$ 184,373,995</b>	<b>100.00%</b>

**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:

<b>Member Entity</b>	<b>Amount</b>
Cottonwood	\$534,311
Mt Olympus	828,082
Granger-Hunter	840,884
Kearns	372,603
Murray	260,081
South Salt Lake	167,773
Taylorville-Bennion	365,192

**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 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 25
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 well 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, 2024:

Investment Type	Investment Maturities in Years		
	Level 2		
	Amortized Cost Basis	Less Than 1	1 - 5
Zions Bank - Public Treasurer's Investment Fund	\$ 134,373,617	\$ 134,373,617	-
Public Treasurer's Investment Fund	\$ 10,533,230	\$ 10,533,230	-
Total	\$ 144,906,847	\$ 144,906,847	\$ -

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 December 31, 2024 fair value factor of 1.00186367, as calculated by the Utah State Treasurer, to the Facility’s average daily balance in the fund is \$145,176,906.

***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, 2024, all of the Facility’s bank balances were insured.

***Interest Rate Risk***

Interest rate risk is 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, 2024, 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 percent 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, 2024 are comprised of the following:

<b>Entity</b>	<b>Receivables Balance</b>
Cottonwood	\$ 1,374,592
Mt Olympus	2,158,382
Granger-Hunter	2,403,644
Kearns	642,792
Murray	665,969
South Salt Lake	824,421
Taylorville-Bennion	861,549
Total	<u>\$ 8,931,349</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 percent of the employee’s annual salary. An employee may contribute to the 457(b) up to \$23,000 if under 50 years old and contribute an additional \$7,500 if over 50 years of age. Contributions to the retirement plans are in the table below:

<b>Retirement Plan</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>401(a) Plan</b>			
Employer contributions	\$2,458,550	\$2,274,492	\$2,132,894
Employee contributions	-	-	-
<b>457(b) Plan</b>			
Employer contributions	-	-	-
Employee contributions	510,085	476,887	539,803

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

**Note 6 – Capital Assets**

Capital assets for the year ended December 31, 2024 were as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u>
Capital assets, not depreciated:					
Land	\$ 10,147,897	\$ -	\$ -	\$ -	\$ 10,147,897
Construction in progress	248,774,754	60,187,290	-	(43,518,381)	265,443,663
Total capital assets, not depreciated	<u>258,922,651</u>	<u>60,187,290</u>	<u>-</u>	<u>(43,518,381)</u>	<u>275,591,560</u>
Capital assets, depreciated:					
Facility	173,758,581	181,944	-	27,174,945	201,115,470
Facility equipment	97,128,543	-	-	16,343,436	113,471,979
Interceptor lines	30,945,615	-	-	-	30,945,615
Vehicles and equipment	11,707,352	745,403	(175,369)	-	12,277,386
Golf course	5,601,756	-	-	-	5,601,756
Total capital assets, depreciated	<u>319,141,847</u>	<u>927,347</u>	<u>(175,369)</u>	<u>43,518,381</u>	<u>363,412,206</u>
Less: accumulated depreciation:					
Facility	(124,772,443)	(3,942,072)	-	-	(128,714,515)
Facility equipment	(26,058,651)	(4,326,188)	-	-	(30,384,839)
Interceptor lines	(13,513,689)	(758,455)	-	-	(14,272,144)
Vehicles and equipment	(8,585,396)	(941,058)	175,369	-	(9,351,085)
Golf course	(5,480,860)	(17,271)	-	-	(5,498,131)
Total accumulated depreciation	<u>(178,411,039)</u>	<u>(9,985,044)</u>	<u>175,369</u>	<u>-</u>	<u>(188,220,714)</u>
Total capital assets being depreciated, net	<u>140,730,808</u>	<u>(9,057,697)</u>	<u>-</u>	<u>43,518,381</u>	<u>175,191,492</u>
Capital assets, net	<u>\$ 399,653,459</u>	<u>\$ 51,129,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,783,052</u>

During 2024, the Facility disposed of capital assets at a gain of \$55,850. Depreciation expense for the year ended December 31, 2024 was \$9,985,044.

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

**Note 7 – Long-Term Debt**

Revenue bonds outstanding on December 31, 2024 are as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due in One Year</u>
Revenue Bonds					
2017A series	\$ 22,595,000	\$ -	\$ 1,175,000	\$ 21,420,000	\$ 1,235,000
2017B series	945,000	-	465,000	480,000	480,000
2019A series	30,675,000	-	1,335,000	29,340,000	1,390,000
2021B series	22,130,000	-	855,000	21,275,000	900,000
2021C series	124,305,000	-	2,945,000	121,360,000	3,095,000
2024A series	-	85,780,000	-	85,780,000	2,765,000
2017A premium	2,858,124	-	219,856	2,638,268	-
2019A premium	4,848,877	-	312,831	4,536,046	-
2021B premium	2,692,016	-	153,830	2,538,186	-
2021C premium	25,170,935	-	1,118,708	24,052,227	-
2024A premium	-	4,913,786	98,276	4,815,510	-
Direct placements bank note	22,781,000	-	1,123,000	21,658,000	1,134,000
Direct placements SRF note	62,285,000	-	2,857,000	59,428,000	2,900,000
Compensated absences	1,577,810	1,152,207	681,480	2,048,537	901,172
Total	<u>\$ 322,863,762</u>	<u>\$ 91,845,993</u>	<u>\$ 13,339,981</u>	<u>\$ 401,369,774</u>	<u>\$ 14,800,172</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, 2021C and 2024A 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 reduce phosphorus levels to the new State mandated level.

The Facility in December 2024 issued \$85,780,000 bond to complete the remaining construction projects. Kearns Improvement District was the only Member Entity who did not participate in this bond issue and will provide cash for their capital contributions.

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

The revenue bonds outstanding and due as of December 31, 2024 from the various Member Entities are as follows:

<b>Bond Series</b>	<b>Amount</b>	<b>Percentage</b>
<b>2017A series sewer revenue bonds</b>		
Cottonwood Improvement District	\$ 6,348,888	29.64%
Granger-Hunter Improvement District	9,990,288	46.64%
Murray City	3,088,764	14.42%
South Salt Lake	1,992,060	9.30%
<b>2017B series sewer revenue bonds</b>		
Kearns Improvement District	480,000	100.00%
<b>2019A series sewer revenue bonds</b>		
Cottonwood Improvement District	7,807,374	26.61%
Granger-Hunter Improvement District	12,287,592	41.88%
Kearns Improvement District	5,445,504	18.56%
Murray City	3,799,530	12.95%
<b>2021B series sewer revenue bonds</b>		
Cottonwood Improvement District	3,374,215	15.86%
Mt Olympus Improvement District	5,229,395	24.58%
Granger-Hunter Improvement District	5,310,240	24.96%
Kearns Improvement District	2,353,015	11.06%
Murray City	1,642,430	7.72%
South Salt Lake	1,059,495	4.98%
Taylorsville-Bennion Improvement District	2,306,210	10.84%
<b>2021C series sewer revenue bonds</b>		
Cottonwood Improvement District	20,254,984	16.69%
Mt Olympus Improvement District	31,395,832	25.87%
Granger-Hunter Improvement District	31,881,272	26.27%
Kearns Improvement District	14,126,304	11.64%
Murray City	9,854,432	8.12%
Taylorsville-Bennion Improvement District	13,847,176	11.41%
<b>2024A series sewer revenue bonds</b>		
Cottonwood Improvement District	15,294,574	17.83%
Mt Olympus Improvement District	23,709,592	27.64%
Granger-Hunter Improvement District	24,069,868	28.06%
Murray City	7,445,704	8.68%
South Salt Lake	4,803,680	5.60%
Taylorsville-Bennion Improvement District	10,456,582	12.19%

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. The construction funds were fully utilized as of December 2022. 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 were fully utilized as of December 2024. 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, 2024 from the various Member Entities are as follows:

<b>Notes from Direct Placement</b>	<b>Amount</b>	<b>Percentage</b>
<b>2020 State Revolving Fund Note</b>		
Cottonwood Improvement District	\$ 9,918,532	16.69%
Mt Olympus Improvement District	15,374,024	25.87%
Granger-Hunter Improvement District	15,611,736	26.27%
Kearns Improvement District	6,917,419	11.64%
Murray City	4,825,554	8.12%
Taylorsville-Bennion Improvement District	6,780,735	11.41%
<b>2021A Bank of Utah Note</b>		
Cottonwood Improvement District	3,434,959	15.86%
Mt Olympus Improvement District	5,323,536	24.58%
Granger-Hunter Improvement District	5,405,837	24.96%
Kearns Improvement District	2,395,375	11.06%
Murray City	1,671,998	7.72%
South Salt Lake	1,078,568	4.98%
Taylorsville-Bennion Improvement District	2,347,727	10.84%

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

<b>Year</b>	<b>Bonds</b>		<b>Notes from Direct Placement</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 9,865,000	\$ 10,821,763	\$ 4,034,000	\$ 1,263,234
2026	8,820,000	11,379,725	4,089,000	1,208,622
2027	9,265,000	10,938,475	4,145,000	1,152,374
2028	9,740,000	10,463,350	4,203,000	1,094,463
2029	10,235,000	9,971,475	4,262,000	1,034,841
2030-34	58,765,000	42,232,850	22,280,000	4,205,897
2035-39	68,345,000	28,311,425	24,103,000	2,383,299
2040-44	56,425,000	15,253,575	13,970,000	413,610
2045-49	48,195,000	4,005,500	-	-
<b>Total</b>	<b>\$ 279,655,000</b>	<b>\$ 143,378,138</b>	<b>\$ 81,086,000</b>	<b>\$ 12,756,340</b>

**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 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 approximately sixty acres of real property. The terms of the lease provide for a quarterly lease payment of 4 percent of gross revenue generated from golf course green fees, cart rental fees, and driving range ball fees. During the year ended December 31, 2024 the Facility received net lease payments of \$75,199 from Scott & Roth Golf Management, LLC.

In 2022, Dakota Pacific bought out Scott & Roth Golf Management, LLC agreement and signed a 60-year land lease with CVWRF to develop the property as an industrial warehouse site. Both leases between Dakota Pacific, Scott & Roth Golf Management and CVWRF were cancelled in 2024 before development commenced.

**Note 9 – Construction Commitments**

The Facility has entered several contracts to upgrade and replace the facility and facility equipment. As of December 31, 2024, the Facility's significant commitments are found below:

<b><u>Project</u></b>	<b><u>Amount</u></b>
Dewatering Building	\$ 47,965,226
BNR Basins	15,886,559
Thickening	10,144,890
Blower Building	2,358,716
Sidestream Nitrogen	1,641,982
<b>Total</b>	<b><u>\$ 77,997,373</u></b>

Commitments over 1 million

**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, 2024 the Facility did not reduce insurance coverages from coverage levels in place as of January 1, 2024. No settlements have exceeded coverage levels in place during 2022, 2023, and 2024.

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

**Note 11 – Subsequent Events**

None





CERTIFIED PUBLIC  
ACCOUNTANTS

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

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, 2024, 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 10, 2025.

### **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.

*K&C, CPAs*

K&C, Certified Public Accountants  
Woods Cross, Utah  
March 10, 2025



CERTIFIED PUBLIC  
ACCOUNTANTS

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

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, 2024.

State compliance requirements were tested for the year ended December 31, 2024, 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, 2024.

### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Facility and to meet our other ethical responsibilities, in accordance with 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 opinion. Our audit does not provide a legal determination of the Facility's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Facility's government programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Facility's compliance based on our audit. 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 GAAS, Government Auditing Standards, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Facility's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Facility's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Facility's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Facility's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

*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 to 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*K&C, CPAs*

K&C, Certified Public Accountants  
Salt Lake City, Utah  
March 10, 2025