



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**  
Basic Financial Statements and Supplementary Information  
June 30, 2021  
and  
Audit of Federal Awards performed in Accordance  
with the Uniform Guidance for Federal Awards  
Year Ended June 30, 2021  
(With Independent Auditors' Reports Thereon)

# CENTRAL UTAH WATER CONSERVANCY DISTRICT

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## Independent Auditors' Report

The Board of Trustees  
Central Utah Water Conservancy District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Utah Water Conservancy District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



*Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis; Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund; Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – CUPCA Fund; Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Olmstead Fund; Schedule of the Proportionate Share of the Net Pension Liability; Schedule of Contributions of the Net Pension Liability; General Employees' Other Postemployment Benefit Plan Schedule of Changes in the Net OPEB liability and Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 October 25, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**KPMG LLP**

Salt Lake City, Utah  
October 25, 2021

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Management's Discussion and Analysis

June 30, 2021

(Unaudited)

This section of Central Utah Water Conservancy District's (District) report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2021. Please read it in conjunction with the District's basic financial statements, which follow this section.

#### Financial Highlights

- The District's net position was \$848.3 million at June 30, 2021.
- The District continued various capital projects during the year ended June 30, 2021. The following significant capital additions were recorded during the year; water and aqueduct rights and privileges \$158.1 million, land rights \$6.6 million, Central Water Project \$6.6 million, District pipelines (non-federal) construction in progress \$3.0 million, treatment plants \$23.4 million, and District vehicles \$1.0 million.
- The District is the sponsor of the Olmsted Hydro Replacement Project and expended \$35 thousand in connection with that project.
- The District is also the sponsor of the Central Utah Project and expended \$39.0 million in connection with that project.

#### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

(1) government-wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. These statements include all governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other nonexchange revenue.

The statement of net position presents information on all of the assets and liabilities of the District along with deferred inflows and outflows of resources, with the difference between these reported as net position.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

#### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Management's Discussion and Analysis

June 30, 2021

(Unaudited)

#### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Central Utah Project Completion Act Fund (CUPCA), Olmsted Replacement Fund (Olmsted), Central Water Project Fund (CWP), the Debt Service Fund, and the Capital Projects Fund; all of which are considered to be major funds.

- **General Fund:** The General Fund is the operating fund of the District. Revenue from tax collections, water sales, and other sources is received into this fund. Expenditures include administrative costs and operation and maintenance of District and project facilities. Fund transfers are made from the General Fund to the other funds of the District.
- **Central Utah Project Completion Act Fund:** The Central Utah Completion Act Fund (CUPCA), a special revenue fund, contains federal funds, which are in most cases matched with District funds and are used for water development projects owned and approved by the U.S. Department of the Interior and authorized by the CUPCA in Public Law 102 575, October 30, 1992.
- **Olmsted Replacement Fund:** The Olmsted Replacement Fund is a special revenue fund that contains Federal and District funds used for the replacement of the Olmsted hydroelectric power plant.
- **Central Water Project Fund:** The Central Water Project Fund (CWP) is a special revenue fund where fees are charged to customer agencies to build a non-federal project of storage reservoirs, pipelines to convey treated surface water, and a large groundwater well field and the necessary infrastructure at or near the site of the former Geneva steel mill. This fund also includes portions of modifications to the District's Don A. Christiansen Regional Water Treatment Plant related to CWP treated surface water. The revenues and expenses associated with this fund were included in the Capital Projects Funds until fiscal year 2020.
- **Debt Service Fund:** The Debt Service Fund is used to collect and pay debt service payments on the District's outstanding debt. A trustee administers debt service payments and directs the investment of reserve funds with District approval. Payments are made to bondholders and to the U.S. Bureau of Reclamation, a programmatic bureau of the U.S. Department of the Interior.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Management's Discussion and Analysis

June 30, 2021

(Unaudited)

- Capital Projects Fund:** The Capital Projects Fund administers payments for various District capital projects. This includes modifications to the District's water treatment plants and for water conveyance facilities. It is also used to modify certain federal facilities within the District's operating agreements. Funds are transferred into this fund from the General Fund.

#### *Proprietary Funds*

Proprietary funds include functions and services that are business type activities and include more detailed information than found in the government-wide financial statements. Proprietary funds can be either enterprise funds or internal service funds. The District reports one proprietary type fund, the Jordanelle Hydroelectric Enterprise Fund, which accounts for the activities of the Jordanelle Hydroelectric Plant.

#### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the District cannot use these funds to fund its programs.

The District maintains one fiduciary fund, which is a private purpose trust fund, described below:

- June Sucker Recovery Agreement Fund:** The District, along with one state, four federal, and two local agencies entered into an agreement with the U.S. Fish and Wildlife Service to rehabilitate the June sucker, a Utah native fish formerly on the endangered species list. The other state, federal, and local agencies participate in the program and contribute financially. The District administers the funds on behalf of those who are a party to the agreement.

#### **Government-Wide Financial Analysis**

The District's assets and deferred outflows, liabilities and deferred inflows, and net position are outlined below (in millions):

	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 246.3	234.9	1.2	1.8
Restricted assets	123.9	138.3	7.3	6.7
Capital assets	1,249.4	1,064.6	16.5	16.9
Other assets	0.2	—	—	—
Deferred outflows	7.2	27.2	0.3	0.3
Total assets and deferred outflows	\$ <u>1,627.0</u>	<u>1,465.0</u>	<u>25.3</u>	<u>25.7</u>



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

	<b>Governmental activities</b>		<b>Business-type activities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current liabilities	\$ 77.0	61.8	1.3	1.3
Long-term liabilities	695.3	656.3	11.5	12.5
Total liabilities	772.3	718.1	12.8	13.8
Deferred inflows	6.4	1.5	—	—
Net position:				
Net investment in capital assets	576.7	467.3	4.2	3.8
Restricted	46.8	69.6	7.3	6.7
Unrestricted	224.8	208.5	1.0	1.4
Total net position	848.3	745.4	12.5	11.9
Total liabilities, deferred inflows and net position	\$ 1,627.0	1,465.0	25.3	25.7

The largest portion of the District's assets reflects its investment in capital assets (e.g., water and aqueduct rights and privileges, land, buildings and improvements, and furniture and equipment, net of accumulated depreciation). Water rights increased by \$158.1 million. Most of the increase is due to two water block notices received from the U.S. Department of the Interior. One was block notice 7A-2 for 22,000 acre-feet of water totaling \$152.6 million and the other was for block notice 7B-3 for 500 acre-feet of water totaling \$3.5 million. Land rights increased by \$6.6 million primarily due to a purchase of land for a potential regional treatment plant in the future. Treatment plants increased by \$23.4 million primarily due to the Duchesne process improvement project and the Ashley Valley Tyzack vault capital replacement project. Capital assets of CWP increased by \$6.6 million primarily due to well construction for increased water production. Current liabilities increased due primarily to increased unearned revenue for CWP and increased bond payments.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

Changes in net position for the fiscal years ended June 30, 2021 and 2020 are outlined below (in millions):

	Governmental activities		Business-type activities	
	2021	2020	2021	2020
Program revenue:				
Central Utah Project				
Completion Act	\$ 54.1	36.8	—	—
Water treatment plants and other projects	47.6	130.4	—	—
General government	43.0	13.9	—	—
Hydropower sales	—	—	2.2	2.7
Olmsted Hydro Project	—	1.0	—	—
General revenue:				
Property taxes	80.4	73.6	—	—
Redevelopment agency property taxes	5.6	5.1	—	—
Earnings on investments	1.6	10.3	—	0.2
Gain on disposal of capital assets	0.7	5.2	—	—
Total revenue	233.0	276.3	2.2	2.9
Program expenses:				
Central Utah Project				
Completion Act	56.5	43.3	—	—
Water treatment plants and other projects and District projects	20.8	14.5	—	—
Olmsted Hydro Project	—	0.3	—	—
Hydropower costs and expenses	—	—	1.2	1.3
General government	17.4	14.5	—	—
Redevelopment agency property tax increment	5.6	5.1	—	—
Interest on long-term debt	29.8	32.6	0.3	0.5
Total expenses	130.1	110.3	1.5	1.8
Change in net position	102.9	166.0	0.7	1.1
Net position beginning of year	745.4	579.4	11.8	10.7
Net position end of year	\$ 848.3	745.4	12.5	11.8

The change in net position decreased by approximately \$63.5 million, including the Jordanelle Hydroelectric Enterprise Fund activities. Program revenue for the CUPCA increased by \$17.3 million for the year ended June 30, 2021 primarily due to advances in lieu of federal appropriations being able to be used to offset portions of the 7A-2 block notice debt. Water treatment plants and other projects revenue decreased by

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Management's Discussion and Analysis

June 30, 2021

(Unaudited)

\$82.8 million due primarily to significantly higher CWP one-time development fees in 2020 offset by increased CWP water sales in 2021. General government revenue increased by \$29.1 million due primarily to revenue being recognized for 207(b)(4) fish flow credits allowed to be used to offset portions of the 7A-2 block notice debt. Property tax revenue increased by \$6.8 million from the prior year reflecting the general increase in property valuations throughout the District. Earnings on investment decreased by approximately \$8.9 million as a result of lower returns and lower reserve balances. Hydropower sales decreased by \$0.5 million and was consistent with the lower than average water year. Hydropower sales are generally related to the water year. Olmsted Hydro Project revenues decreased by \$1.0 million due to no contributions received in the current fiscal year compared to \$1.0 million contributions received in the prior fiscal year. Program expenses increased \$19.5 million over the prior year reflecting a \$13.2 million increase in Central Utah Project Completion Act related expenditures, a \$0.3 million decrease in Olmsted Hydro Project expenditures; a \$3.0 million decrease in interest on long-term debt, a \$6.3 million increase in water treatment plants and other projects and District projects, a \$0.1 million decrease in hydropower costs and expenses, a \$2.9 million increase in general government expenses, and a \$0.5 million increase in redevelopment agency property tax increment expenditures.

#### **Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

#### **Governmental Funds**

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. At June 30, 2021, the District's governmental funds reported a combined fund balance of \$333.4 million. This amount compares to \$343.8 million in the prior year. The changes in combined fund balance reflect net expenditures performed on the Central Utah Project (CUPCA Fund), net expenditures for Central Water Project (CWP), expenditures for upgrades to water treatment plants and other projects (Capital Projects Fund), net expenditures for the Olmsted Hydro Project (Olmsted Fund), and payments for principal and interest on the District's outstanding debts, offset by net revenues from the General Fund.

Governmental funds report the differences between their assets and liabilities as fund balance, which is characterized under the following designations: nonspendable, restricted, committed, assigned, and unassigned. Reservations within the nonspendable, restricted, committed, and assigned designations indicate the portion of the District's fund balances that is not available for appropriation. Fund balances of Debt Service, Capital Projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The fund balance of the General Fund is primarily reserved for the following purposes: liability insurance reserves, operations and maintenance bond pledge reserves, and power loss. The fund balances of the Capital Projects Fund and CWP fund are designated for future projects and other reserves; the CUPCA and Olmsted fund balances are reserved for costs on the CUPCA and Olmsted projects, respectively; and the Debt Service fund balance is reserved for future debt service.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

**Budgetary Highlights**

During the year, the board of trustees (the Board) revised the District's budget. Budget amendments were primarily to reflect moving funds to the Capital Projects Fund for future capital projects, to increase redevelopment agency revenue and expenditures to reflect actuals to show the effects of the refunding and advance payment debt transactions throughout the year (2011A & 2011B GO Bonds, 2012C Revenue Bonds, and Block Notice 7A-2), to reflect the purchase of property for a future regional water treatment plant, to reflect the increase in federal funding for CUPCA and the related increase in construction expenditures and other miscellaneous expenses. Total changes aggregated approximately \$392.3 million.

**Capital Assets and Debt Administration**

**Capital Assets** – The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for operating and maintaining facilities within the District. Capital assets, net of depreciation at June 30, 2021 and 2020 are outlined below (in millions):

	<u>2021</u>	<u>2020</u>
Water and aqueduct rights and privileges	\$ 836.6	678.5
Land and land rights	32.5	29.4
Buildings, equipment, and district pipelines	376.6	356.0
Construction in progress	<u>3.7</u>	<u>0.7</u>
Total capital assets, net of accumulated depreciation and net of enterprise fund	1,249.4	1,064.6
Enterprise fund capital assets, net of accumulated depreciation	<u>16.5</u>	<u>16.9</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,265.9</u>	<u>1,081.5</u>

Additional information on the District's capital assets can be found in notes 3 and 4 to the basic financial statements.

**Debt Administration** – The District maintains a schedule to retire all of its general obligation bonds by fiscal year 2034, revenue bonds by fiscal year 2052, contracts and block notices by fiscal year 2070, and enterprise fund revenue bonds by fiscal year 2032. The District's debt outstanding at June 30, 2021 consists of bonds and contract obligations between the District and the U.S. Bureau of Reclamation as outlined below (in millions):

	<u>Governmental activities</u>	<u>Total change</u>
	<u>2021</u>	<u>2020</u>
		<u>2021–2020</u>
General obligation and revenue bonds	\$ 703.2	652.5
Contracts and block notices	13.6	10.4
Enterprise fund revenue bonds	12.5	13.5
		(1.0)

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Management's Discussion and Analysis

June 30, 2021

(Unaudited)

The District will service its debt through the future sale of water to customers along with other sources, such as property and motor vehicle taxes. The principal amount of District debt was increased by approximately \$50.7 million for governmental general obligation and revenue bonds, increased by \$3.2 million for governmental contracts and block notices, and decreased by \$1.0 million for business type activities during the year ended June 30, 2021, including: principal payment amounts and amortization and reduction of bond premiums.

The District's most recent ratings are as follows:

	<u>Government</u>	<u>Enterprise</u>
Revenue bond ratings:		
Standard and Poor's	AA+	AA
Fitch ratings	AA+	AA+
Limited tax general obligation ratings:		
Standard and Poor's	AA+	
Fitch ratings	AA+	

Additional information on the District's long-term debt can be found in note 5.

The notes to basic financial statements provide additional information that is essential for a more complete understanding of the data provided in the government-wide and fund financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Central Utah Water Conservancy District, 1426 E 750 N St Suite 400, Orem, UT 84097.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Net Position

June 30, 2021

Assets and Deferred Outflows	Governmental activities	Business-type activities
Current assets:		
Cash and cash equivalents (notes 2 and 8)	\$ 228,089,716	995,784
Property taxes receivable	3,186,848	—
Accounts receivable	9,148,309	237,864
Interest receivable	75,144	—
Prepaid expenses	302,391	—
Restricted investments (note 2)	5,480,422	—
Total current assets	246,282,830	1,233,648
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (notes 2 and 8)	108,118,314	7,288,755
Investments (note 2)	15,799,339	—
Derivative swap asset (note 6)	225,404	—
Net pension asset (note 11)	—	13,414
Capital assets (notes 3 and 4):		
Nondepreciable capital assets:		
Water and aqueduct rights and privileges	836,556,935	—
Land	32,549,915	—
Construction in progress	3,706,566	—
Depreciable capital assets, net of accumulated depreciation	376,551,506	16,467,762
Total assets	1,619,790,809	25,003,579
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivative (note 6)	5,582,780	—
Pension (note 11)	1,638,048	4,844
Deferred charge on refunding (note 7)	—	278,657
Total deferred outflow of resources	7,220,828	283,501
Total assets and deferred outflows	\$ 1,627,011,637	25,287,080

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Net Position

June 30, 2021

Liabilities, Deferred Inflows, and Net Position	Governmental activities	Business-type activities
Liabilities:		
Current liabilities:		
Accounts payable	\$ 9,597,482	190,471
Accrued liabilities	638,897	79,050
Accrued interest on long-term debt	6,298,550	—
Unearned other revenue	16,824,559	—
Unearned water sales revenue	8,475,930	—
Current portion of long-term debt:		
Contract obligations to U.S. Bureau of Reclamation (note 5)	1,139,077	—
Bonds payable, net (note 5)	33,972,984	1,014,742
Total current liabilities	76,947,479	1,284,263
Long-term liabilities, net of current portion:		
Postretirement benefit liability (note 12)	5,957,975	—
Compensated absences	1,659,420	—
Derivative swap liability (note 6)	5,582,780	—
Net pension liability (note 11)	442,447	—
Long-term debt:		
Contract obligations to U.S. Bureau of Reclamation (note 5)	12,443,588	—
Bonds payable, net (note 5)	669,231,520	11,514,148
Total liabilities	772,265,209	12,798,411
Deferred inflow of resources:		
Pension (note 11)	3,076,347	20,583
Deferred gain on refunding	3,121,394	—
Accumulated increase in fair value of hedging derivative (note 6)	225,404	—
Total deferred inflows of resources	6,423,145	20,583
Net position:		
Net investment in capital assets	576,710,745	4,217,531
Restricted for:		
Emergency project operations and maintenance	34	—
Future project replacements	16	—
Operation and maintenance	3,792,014	—
Power loss reserve	5,308	—
Debt service reserve	76,970	7,288,755
Federal contracts	42,895,520	—
Unrestricted	224,842,676	961,800
Total net position	848,323,283	12,468,086
Total liabilities, deferred inflows, and net position	\$ 1,627,011,637	25,287,080

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Activities

Year ended June 30, 2021

Functions	Expenses	Program revenue			Net revenue (expense) and changes in net position		Total
		Charges for services and other	Operating grants and contributions	Capital grants and contributions	Total governmental activities	Business-type activities	
Governmental activities:							
Central Utah Project:							
Central Utah Project Completion Act (note 10)	\$ 39,014,217	—	54,122,784	—	15,108,567	—	15,108,567
Other Central Utah Project nonreimbursable expenses	17,443,715	—	—	—	(17,443,715)	—	(17,443,715)
District projects	2,187,284	—	—	—	(2,187,284)	—	(2,187,284)
Olmsted Hydro Power Replacement	34,869	—	—	—	(34,869)	—	(34,869)
Total Central Utah Project	58,680,085	—	54,122,784	—	(4,557,301)	—	(4,557,301)
Water treatment plants and other projects	18,657,965	47,615,608	—	—	28,957,643	—	28,957,643
General government	17,389,483	43,045,710	—	—	25,656,227	—	25,656,227
Redevelopment agency property taxes (note 14)	5,578,871	—	—	—	(5,578,871)	—	(5,578,871)
Interest on long-term debt	29,788,524	—	—	—	(29,788,524)	—	(29,788,524)
Total governmental activities	130,094,928	90,661,318	54,122,784	—	14,689,174	—	14,689,174
Business-type activities:							
Hydropower	1,197,810	2,167,312	—	—	—	969,502	969,502
Interest on long-term debt	355,508	—	—	—	—	(355,508)	(355,508)
	\$ 131,648,246	92,828,630	54,122,784	—	14,689,174	613,994	15,303,168
General revenue:							
Property taxes					\$ 80,390,652	—	80,390,652
Redevelopment agency property taxes (note 14)					5,578,871	—	5,578,871
Earnings on investments					1,606,426	40,441	1,646,867
Gain on disposal of capital assets					679,296	—	679,296
Total general revenue					88,255,245	40,441	88,295,686
Change in net position					102,944,419	654,435	103,598,854
Net position beginning of year					745,378,864	11,813,651	757,192,515
Net position end of year					\$ 848,323,283	12,468,086	860,791,369

See accompanying notes to basic financial statements.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Governmental Funds Balance Sheet

June 30, 2021

Assets	General Fund	CUPCA Fund	Olmsted Fund	CWP Fund	Debt Service Fund	Capital Projects Fund	Total
Cash and cash equivalents (notes 2 and 8)	\$ 19,774,381	—	—	103,265,666	—	105,049,669	228,089,716
Property taxes receivable	3,186,848	—	—	—	—	—	3,186,848
Accounts receivable	1,531,033	111,032	—	7,445,723	9,885	50,636	9,148,309
Interest receivable	—	—	—	—	75,144	—	75,144
Prepaid expenses	268,489	—	—	33,902	—	—	302,391
Restricted assets:							
Cash and cash equivalents (notes 2 and 8)	9,397,106	44,420,701	1,053,553	3,018,495	25,974,622	24,253,837	108,118,314
Investments (note 2)	—	—	—	—	21,279,761	—	21,279,761
Total assets	<u>\$ 34,157,857</u>	<u>44,531,733</u>	<u>1,053,553</u>	<u>113,763,786</u>	<u>47,339,412</u>	<u>129,354,142</u>	<u>370,200,483</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 1,432,207	2,689,754	12	1,389,768	8,057	4,077,684	9,597,482
Accrued liabilities	638,897	—	—	—	—	—	638,897
Unearned other revenue	—	—	—	16,824,559	—	—	16,824,559
Unearned water sales revenue	8,475,930	—	—	—	—	—	8,475,930
Total liabilities	<u>10,547,034</u>	<u>2,689,754</u>	<u>12</u>	<u>18,214,327</u>	<u>8,057</u>	<u>4,077,684</u>	<u>35,536,868</u>
Deferred inflows:							
Unavailable revenue – property tax	1,265,647	—	—	—	—	—	1,265,647
Total deferred inflows	<u>1,265,647</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,265,647</u>
Fund balances (note 8):							
Nonspendable:							
Prepaid expenses	221,284	—	—	33,902	—	—	255,186
Restricted:							
Emergency project O&M reserve	—	—	—	—	—	34	34
Replacement reserve	—	—	—	—	—	16	16
O&M bond pledge reserve	3,792,014	—	—	—	—	—	3,792,014
Power loss reserve	5,308	—	—	—	—	—	5,308
Debt service reserves	—	—	—	—	47,331,355	—	47,331,355
CUPCA reserve	—	41,841,979	—	—	—	—	41,841,979
Olmsted reserve	—	—	1,053,541	—	—	—	1,053,541
Future capital projects	—	—	—	—	—	3,182,396	3,182,396
Committed:							
Liability insurance reserve	5,599,784	—	—	—	—	—	5,599,784
Contingency reserve	—	—	—	—	—	11,304,187	11,304,187
Assigned:							
CWP reserve	—	—	—	3,018,495	—	—	3,018,495
Project facility reserve	—	—	—	—	—	8,289,258	8,289,258
WCWEP project reserve	—	—	—	—	—	628,169	628,169
District facility reserve	—	—	—	—	—	849,777	849,777
Future capital projects	—	—	—	92,497,062	—	101,022,621	193,519,683
Unassigned	12,726,786	—	—	—	—	—	12,726,786
Total fund balances	<u>22,345,176</u>	<u>41,841,979</u>	<u>1,053,541</u>	<u>95,549,459</u>	<u>47,331,355</u>	<u>125,276,458</u>	<u>333,397,968</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 34,157,857</u>	<u>44,531,733</u>	<u>1,053,553</u>	<u>113,763,786</u>	<u>47,339,412</u>	<u>129,354,142</u>	<u>370,200,483</u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position

June 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances – governmental funds	\$ 333,397,968
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,348,079,619 and the accumulated depreciation is \$98,714,697.	1,249,364,922
Property tax revenue is recognized when earned (claim to resources established) rather than when “available.” Uncollected amounts from prior levy years have been recorded as deferred inflows in the funds, but have been recorded as revenue in government wide financial statements	1,265,647
Pension obligations are not recognized as a liability in the funds as they do not require current financial resources. This represents the liability and deferred inflows and outflows	(1,880,746)
Postretirement benefit obligation is recognized as a liability in the funds when due and mature, rather than when incurred	(5,957,975)
Obligations for compensated absences are recognized as a liability in the funds when due and mature, rather than as earned by employees	(1,659,420)
Deferred gain on refunding	(3,121,394)
Long-term debt, including bonds payable and accrued interest, is not due and payable in the current period and, therefore, is not reported in the funds	<u>(723,085,719)</u>
Total net position – governmental activities	<u>\$ 848,323,283</u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**  
 Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year ended June 30, 2021

	General Fund	CUPCA Fund	Olmsted Fund	CWP Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Revenue:</b>							
Property taxes	\$ 80,477,100	—	—	—	—	—	80,477,100
Redevelopment agency property taxes (note 14)	5,578,871	—	—	—	—	—	5,578,871
Water sales	24,357,021	—	—	14,672,587	—	—	39,029,608
Interest	167,787	62,630	1,484	559,849	490,290	571,324	1,853,364
Net decrease in fair value of investments	—	—	—	—	(246,938)	—	(246,938)
Central Utah Project Completion Act (note 10)	—	54,122,784	—	—	—	—	54,122,784
Other	31,485,551	—	—	8,586,000	34,305	15,606,554	55,712,410
Total revenue	<u>142,066,330</u>	<u>54,185,414</u>	<u>1,484</u>	<u>23,818,436</u>	<u>277,657</u>	<u>16,177,878</u>	<u>236,527,199</u>
<b>Expenditures:</b>							
<b>Current:</b>							
Central Utah Project Completion Act (note 10)	—	39,014,217	—	—	—	—	39,014,217
Other Central Utah Project nonreimbursable expenses	4,947,711	—	—	—	—	—	4,947,711
Water treatment plants and other projects	4,474,444	—	—	3,401,326	—	—	7,875,770
Olmsted Hydro Replacement Project	—	—	34,869	—	—	—	34,869
Administrative and general	13,366,254	—	—	—	—	—	13,366,254
District projects	1,866,449	—	—	9,115	—	248,641	2,124,205
Redevelopment agency property tax increment (note 14)	5,578,871	—	—	—	—	—	5,578,871
Bond issuance expense	—	—	—	—	2,015,728	—	2,015,728
<b>Debt service:</b>							
Principal (note 5)	—	—	—	—	93,544,186	—	93,544,186
Interest (note 5)	—	—	—	—	23,612,307	—	23,612,307
Other	—	—	—	—	471,511	—	471,511
Capital outlay	817,735	—	—	8,602,948	—	48,140,926	57,561,609
Total expenditures	<u>31,051,464</u>	<u>39,014,217</u>	<u>34,869</u>	<u>12,013,389</u>	<u>119,643,732</u>	<u>48,389,567</u>	<u>250,147,238</u>
Excess (deficiency) of revenue over expenditures	111,014,866	15,171,197	(33,385)	11,805,047	(119,366,075)	(32,211,689)	(13,620,039)
<b>Other financing sources (uses):</b>							
Transfers in (note 9)	—	15,000,000	—	—	123,373,261	59,771,556	198,144,817
Transfers out (note 9)	(115,234,800)	(39,652,784)	—	(28,257,233)	—	(15,000,000)	(198,144,817)
Bond proceeds	—	—	—	—	248,030,000	10,900,000	258,930,000
Bond premium	—	—	—	—	35,404,767	—	35,404,767
Payment to the refund bond escrow agent	—	—	—	—	(288,583,278)	—	(288,583,278)
Swap termination payments	—	—	—	—	(2,535,200)	—	(2,535,200)
Net changes in fund balances	(4,219,934)	(9,481,587)	(33,385)	(16,452,186)	(3,676,525)	23,459,867	(10,403,750)
Fund balances, beginning of year	<u>26,565,110</u>	<u>51,323,566</u>	<u>1,086,926</u>	<u>112,001,645</u>	<u>51,007,880</u>	<u>101,816,591</u>	<u>343,801,718</u>
Fund balances, end of year	<u>\$ 22,345,176</u>	<u>41,841,979</u>	<u>1,053,541</u>	<u>95,549,459</u>	<u>47,331,355</u>	<u>125,276,458</u>	<u>333,397,968</u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds		\$ (10,403,750)
Governmental funds report capital outlays as expenditures. However, in the government wide financial statements, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays, net	\$ 44,277,430	
Depreciation expense	(12,209,341)	32,068,089
Because some property taxes will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenue in the governmental funds		(86,448)
Changes in expenses related to postretirement benefit costs reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(189,415)
Changes in expenses related to pension reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		986,170
Changes in expenses related to compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(166,667)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net position, issuance of debt is recorded as short-term and long-term liabilities, while repayment of bond principal is a reduction of the liability. Also, governmental funds report the premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effects of these differences in the treatment of general obligation bonds and related items are as follows:		
Bond proceeds	(294,334,767)	
Principal payments	93,544,186	
Payments to refund bond escrow agents	288,583,278	
Swap termination payment	2,535,200	
Change in accrual for interest on long-term debt	(312,464)	
Amortization of bond premium	4,522,198	
Interest and other expenses related to bond refinancing	(9,354,022)	
Amortization of deferred refunding costs	(1,045,765)	84,137,844
Difference in net book value on disposal of assets		<u>(3,401,404)</u>
Change in net position of governmental activities		<u>\$ 102,944,419</u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Net Position – Jordanelle Hydroelectric Enterprise Fund

June 30, 2021

**Assets and Deferred Outflows**

Current assets:		
Cash and cash equivalents (notes 2 and 8)	\$	995,784
Accounts receivable		<u>237,864</u>
Total current assets		<u>1,233,648</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (notes 2 and 8)		7,288,755
Net pension asset		13,414
Jordanelle Hydro plant, net (note 4)		<u>16,467,762</u>
Total noncurrent assets		23,769,931
Deferred outflow of resources:		
Deferred outflow or resources related to pension		4,844
Deferred charge on refunding		<u>278,657</u>
Total assets and deferred outflows	\$	<u><u>25,287,080</u></u>

**Liabilities, Deferred Inflows, and Net Position**

Current liabilities:		
Accounts payable	\$	190,471
Accrued liabilities		79,050
Revenue bonds payable, net (note 5)		<u>1,014,742</u>
Total current liabilities		<u>1,284,263</u>
Noncurrent liabilities:		
Revenue bonds payable, net (note 5)		<u>11,514,148</u>
Total noncurrent liabilities		<u>11,514,148</u>
Total liabilities		<u>12,798,411</u>
Deferred inflows:		
Deferred inflows related to pension (note 11)		20,583
Net position:		
Net investment in capital assets		4,217,531
Restricted for debt service reserve (note 8)		7,288,755
Unrestricted		<u>961,800</u>
Total net position		<u>12,468,086</u>
Total liabilities, deferred inflows, and net position	\$	<u><u>25,287,080</u></u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Revenue, Expenses, and Changes in Net Position  
Jordanelle Hydroelectric Enterprise Fund

Year ended June 30, 2021

Operating revenue:	
Hydropower sales	\$ <u>2,167,312</u>
Total operating revenue	<u>2,167,312</u>
Operating expenses:	
Cost of sales and services	769,396
Administrative and general	68,233
Other	17
Depreciation	<u>441,238</u>
Total operating expenses	<u>1,278,884</u>
Operating income	<u>888,428</u>
Nonoperating revenue (expenses):	
Investment earnings	40,441
Interest expense	(355,508)
Amortization of deferred refunding costs	(33,668)
Amortization of bond premium	<u>114,742</u>
Total nonoperating expenses	<u>(233,993)</u>
Change in net position	654,435
Net position beginning of year	<u>11,813,651</u>
Net position end of year	\$ <u><u>12,468,086</u></u>

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Cash Flows – Jordanelle Hydroelectric Enterprise Fund

Year ended June 30, 2021

Cash flows from operating activities:	
Receipts from customers and users	\$ 2,409,321
Payments to suppliers	(454,979)
Payments to employees	(63,734)
Payments for interfund services used	(424,870)
	<u>1,465,738</u>
Net cash provided by operating activities	<u>1,465,738</u>
Cash flows used for capital and related financing activities:	
Principal paid on revenue bonds	(825,000)
Interest paid on revenue bonds	(355,508)
	<u>(1,180,508)</u>
Net cash used for capital and related financing activities	<u>(1,180,508)</u>
Cash flows from investing activity:	
Interest and dividends received	40,441
	<u>40,441</u>
Net cash provided by investing activity	<u>40,441</u>
Net increase in cash and cash equivalents	325,671
Cash and cash equivalents, June 30, 2020	<u>7,958,868</u>
Cash and cash equivalents, June 30, 2021	\$ <u><u>8,284,539</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 888,428
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	441,238
Decrease in net pension liability	(7,836)
Decrease in accounts receivable	242,009
Decrease in accounts payable and accrued liabilities	(98,101)
	<u>577,310</u>
Total adjustments	<u>577,310</u>
Net cash provided by operating activities	\$ <u><u>1,465,738</u></u>
Noncash investing, capital, and financing activities:	
Bond refunding amortization	\$ 33,668
Bond premium amortization	(114,742)

See accompanying notes to basic financial statements.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**  
Statement of Fiduciary Net Position – Private Purpose Trust Fund  
June 30, 2021

	<b>Private Purpose Trust Fund</b>
Assets:	
Cash and cash equivalents	\$ 2,272,188
Accounts receivable	<u>591,283</u>
Total assets	<u><u>\$ 2,863,471</u></u>
Liabilities:	
Accounts payable	\$ 98,487
Accrued liabilities	<u>201,838</u>
Total liabilities	300,325
Net position	<u>2,563,146</u>
Total liabilities and net position	<u><u>\$ 2,863,471</u></u>

See accompanying notes to basic financial statements.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund

Year ended June 30, 2021

	<b>Private Purpose Trust Fund</b>
Additions:	
June sucker recovery implementation program contributions	\$ 1,418,283
Interest on investments	<u>10,364</u>
Total additions	1,428,647
Deductions:	
June sucker recovery implementation program expense	<u>1,256,106</u>
Change in fiduciary net position	172,541
Net position beginning of year	<u>2,390,605</u>
Net position end of year	<u><u>\$ 2,563,146</u></u>

See accompanying notes to basic financial statements.

# CENTRAL UTAH WATER CONSERVANCY DISTRICT

## Notes to Basic Financial Statements

June 30, 2021

### **(1) Summary of Significant Accounting Policies**

The Central Utah Water Conservancy District (the District or CUWCD) prepares its basic financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are described below in subsequent sections of this note:

#### **(a) Reporting Entity**

The District was created by the Fourth District Court under authority of the Water Conservancy Act (Utah Code 73-9) in 1964. The purpose of the District, as stated in the court decree, is to acquire the maximum supplies of water for the District and to achieve the optimum development, distribution, and utilization of water resources available for agriculture, domestic, power generating, manufacturing, recreational, and other beneficial uses. The eight counties in the District are Salt Lake, Utah, Uintah, Duchesne, Sanpete, Wasatch, portions of Juab, and Summit counties.

The District's board of trustees (the Board), comprising 18 individuals, is the governing authority for the District. The Board members are nominated by county commissioners, selected by the Governor, and confirmed by the State Senate. The District is an independent reporting entity and is not a component unit of any other government. The Board establishes District policies, approves the budget, is responsible for fiscal matters, and is authorized to issue bonds, incur debt, and to levy ad valorem taxes.

All funds, including all financial activities over which the Board has financial accountability, are included in this report. The District's financial reporting entity comprises all funds of the District, which constitute the primary government.

In determining the financial reporting entity, the District includes all component units of which the District appoints a voting majority of the unit's board, and the District is either able to impose its will on the unit or a financial benefit or burden relationship exists. The District has no component units.

#### **(b) Basis of Presentation**

##### *(i) Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the District as a whole. They include all assets, deferred inflows/outflows, and liabilities and net position of the District, except those related to fiduciary funds. These statements include all governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other nonexchange revenue.

##### *(ii) Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred outflows, deferred inflows, net position, fund balance, revenue, and expenditures/expenses. The District's funds are organized into three categories: governmental, proprietary, and fiduciary. Major funds are

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

presented separately in the fund financial statements. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- (a) Total assets, liabilities, and deferred inflows/outflows, revenue, or expenditures/expenses of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type.
- (b) Total assets, liabilities, and deferred inflows/outflows, revenue, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Further, any other governmental or enterprise fund may be reported as a major fund if the government's officials believe it is particularly important to the financial statement users. All of the District's governmental funds are considered major funds. The governmental funds, enterprise fund, and fiduciary fund of the District are described below:

(iii) *Governmental Funds*

*General Fund*

The General Fund is the primary operating fund of the District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*CUPCA Fund*

The Central Utah Project Completion Act (CUPCA) Fund is used to account for resources restricted for the completion of the Central Utah Project, which includes various water features throughout central Utah.

*Olmsted Replacement Fund*

The Olmsted Replacement Fund was established to facilitate the replacement and upgrading of the Olmsted Hydro Plant as part of the Central Utah Project.

*CWP Fund*

The Central Water Project Fund (CWP) is used to account for resources restricted for the construction, operation, and maintenance of the non-federal Central Water Project.

*Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the District. Ad valorem taxes are used for the payment of principal and interest on the District's General Obligation Bonds. All other revenue is pledged for payment of the District's Revenue Bonds.

*Capital Projects Fund*

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

(iv) *Proprietary Funds*

Proprietary funds include functions and services that are business type activities and include more detailed information than found in the government-wide financial statements. Proprietary funds can be either enterprise funds or internal service funds. As of June 30, 2021, the District maintained one proprietary type fund, the Jordanelle Hydroelectric Enterprise Fund.

*Jordanelle Hydroelectric Enterprise Fund*

This fund is used to account for the activities of the Jordanelle Hydroelectric Plant.

(v) *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements, as the District cannot use these funds to finance its programs. As of June 30, 2021, the District has one fiduciary fund, the June Sucker Recovery Agreement Fund, which is a private purpose trust fund.

*June Sucker Recovery Agreement Fund*

The District, along with other state and federal agencies, entered into an agreement with the U.S. Fish and Wildlife Service to rehabilitate the June sucker, a Utah native fish on the endangered species list. The other state and federal agencies participate in the program and contribute financially. The District administers the funds on behalf of those who are a party to the agreement.

**(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

(i) *Measurement Focus*

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus as are the proprietary fund and fiduciary fund. Accordingly, these statements recognize the effect of exchange and exchange like transactions when the exchange takes place.

All governmental funds financial statements utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period.

The statement of net position and statement of revenue, expenses, and changes in net position for proprietary funds are presented using the economic resources measurement focus and accrual basis of accounting.

The statement of fiduciary net position and the statement of changes in fiduciary net position are presented using the economic resources measurement focus and accrual basis of accounting.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

*(ii) Basis of Accounting*

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenue are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenue, expenses, gains, losses, assets, and liabilities resulting from imposed nonexchange transactions, excluding property taxes, are recognized in the period when an enforceable legal claim has arisen or when resources are received, whichever is first. Property tax revenue is recorded in the period levied, net of an allowance for uncollectible amounts, if any. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures other than debt service expenditures are recognized when a fund liability is incurred. Debt service expenditures, including principal and interest on long-term debt and issue costs paid out of debt proceeds, are reported as expenditures when the payment is due. All liabilities of governmental funds are expected to be liquidated with expendable available resources. Under the modified accrual basis of accounting, all exchange revenue is recognized in the accounting period in which they become available and measurable. Revenue is considered available if it can be collected within a period of 60 days following the close of a fiscal year. Water treatment and delivery revenue, as well as property and other tax revenue, are susceptible to accrual. Accounts receivable are recorded for water treatment and delivery revenue when services are rendered, and for property and other tax revenue when levied, with the unrecognized portion reported as unearned revenue.

The proprietary and fiduciary funds financial statements are presented using the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating revenue and expenses. Operating revenue includes activities that are generated through the sale of power. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions and primarily include investment earnings and interest income. Operating expenses include activities that have the characteristics of an exchange transaction, such as: a) employee salaries, benefits, and related expense; b) cost of power sales; c) insurance payments; and d) depreciation of the hydropower plant and equipment. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on debt.

***(d) Use of Estimates***

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses, during the reporting period. Actual results will differ from those estimates.

***(e) Cash and Cash Equivalents***

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

#### **(f) Investments**

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

#### **(g) Capital Assets**

In the government-wide financial statements, capital assets are valued at historical cost, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Costs incurred for repairs and maintenance that do not extend the useful life of an asset are recorded as expense in the statement of activities. Additions, improvements, and betterments that provide future benefit and exceed the District's capitalization threshold for capital assets of \$5,000 are recorded as capital assets in the accompanying statement of net position. Construction and replacement of federally titled facilities are not capitalized by the District.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives is from 3 to 75 years. Water and aqueduct rights and privileges extend into perpetuity and, accordingly, are not depreciated. Impairment due to changes in circumstances or other adverse factors are considered at least annually.

In the fund financial statements, costs related to capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

#### **(h) Long-Term Liabilities**

All long-term debt and other long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of general obligation and revenue bonds and U.S. government obligations. Repayment of principal is recorded as a reduction of the liability, and interest expense is recorded as incurred.

Long-term debt and other long-term liabilities are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures in the Debt Service Fund when due and payable.

Interest rate swap derivative instruments are used to hedge against interest costs on variable rate debt to achieve the lowest borrowing costs possible without exposure to significant levels of risk. The fair values of the swaps are measured using the economic resources measurements focus. The fair values are recorded in the statement of net position as deferred inflow/outflow of resources and derivative swap liability/asset.

#### **(i) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Deferred charge on refunding, pension, and accumulated decrease in fair value of hedging

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

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derivative reported in the Government-wide statement of net position qualify for reporting as deferred outflows. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The net difference between projected and actual earnings on pension plan investments and contributions made to the pension prior to fiscal year-end, but subsequent to the measurement date are reported as deferred outflows and will be recognized as a reduction to the net pension liability in the upcoming fiscal year(s). An accumulated decrease in fair value of hedging derivative results from the interest rate swap agreement (note 6). The amount is deferred and adjusted to fair value each period with changes recorded to interest expense if the hedge is deemed not effective.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position. Deferred gain on refunding, pension, and accumulated increase in fair value of hedging derivative reported in the Government-wide statement of net position qualify for reporting as deferred inflows. Pension related costs such as actuarial changes in pension assumptions and differences between expected pension and actual pension experience that applied to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. An accumulated increase in fair value of hedging derivative results from the interest rate swap agreement (note 6). The amount is deferred and adjusted to fair value each period with changes recorded to interest expense if the hedge is deemed not effective. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

#### **(j) Net Position Classifications**

In the government-wide financial statements, net position is displayed in three components:

- *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred charges on refunding.
- *Restricted net assets* – consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* – all other net assets that do not meet the definition of “restricted” or “net investments in capital assets.”

Governmental fund equity is classified as fund balance. Fund balance is displayed in classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the general fund.

#### **(k) Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures initially made from that fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers. Interfund transactions between funds within governmental activities are eliminated in the accompanying statement of net position and statement of activities.

#### **(l) Property Tax Revenue**

Property tax revenue is collected and remitted by the various county treasurers as agents for the District. Redevelopment agency property tax is recorded as revenue and expense equal to the amount for which the Redevelopment Agency has given support in the form of property tax relief, which is provided to the District by the county treasurers of the District's participating counties.

State of Utah statutes establish the process by which taxes are levied and collected. Property taxes are assessed as of January 1 of the year in which they are due and are payable November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1 until the date paid. If in May of the fifth year the taxes remain delinquent, the county advertises and sells the property at a tax sale. Therefore, property taxes are ultimately collectible and no allowance for doubtful accounts is considered necessary.

In the fund financial statements, property tax revenue is considered available and recorded as revenue in the period levied to the extent it is collected within 60 days following the close of a fiscal year-end. Property tax revenue is recorded in the government-wide financial statements in the period levied.

#### **(m) Other Revenue**

Program revenue for CUPCA and Olmsted consist of contributions from the U.S. Department of Interior. Program revenue for water treatment plants and other projects consists of charges to customers for services provided.



## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

#### **(n) Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, expenditures are classified by character for governmental activities. When an expense is incurred for which both restricted and unrestricted resources are available, the unrestricted resources are first applied.

#### **(o) Compensated Absences**

The District's policy regarding vacation time permits employees to accumulate earned but unused vacation and sick leave up to certain maximums. The liability for these compensated absences is recorded as an accrued liability in the accompanying government-wide statement of net position when earned. The liability for these compensated absences is recognized in the fund financial statements as payments come due each period.

#### **(p) Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) including additions to and deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **(q) COVID-19**

The outbreak of COVID-19 and its spread, which has been designated a global pandemic by the World Health Organization, is negatively impacting local, state and global economies, as governments, businesses, and citizens react to, plan for, and try to prevent or slow further transmission of the virus. Financial markets, including the stock markets in the United States and globally, have seen significant volatility attributed to COVID-19 concerns. On March 6, 2020, as part of the State of Utah's response to address the global disease outbreak, the Governor declared a state of emergency. On March 13, 2020, a national emergency was declared. The District has not seen and does not currently expect that the COVID-19 pandemic will have a material adverse effect on the District's net position.

### **(2) Deposits and Investments**

#### **(a) Deposits**

The District maintains a cash and investment pool that is available for use by the general and capital projects funds. Income from the investment of pooled cash is allocated based on the average ending balance of the general and capital projects funds to the investment pool. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents" and "investments."

State law requires that the District follow the requirements of the Utah Money Management Act (the Act) (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the District to deposit funds in a "qualified depository," defined as any financial institution that has been certified by the Utah State Commissioner of Financial Institutions.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

The Act also defines the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Cash, cash equivalents, and investments at June 30, 2021 consist of the following:

Cash deposits	\$ 47,069,978
Cash equivalents and investments	<u>318,702,352</u>
Total cash, cash equivalents, and investments	\$ <u><u>365,772,330</u></u>

These amounts are included in the following balances on the statement of net position as follows:

	<u>Government activities</u>	<u>Business-type activities</u>
Unrestricted:		
Cash and cash equivalents	\$ 228,089,716	995,784
Restricted:		
Cash and cash equivalents	108,118,314	7,288,755
Investments	<u>21,279,761</u>	—
Total cash, cash equivalents, and investments	\$ <u><u>357,487,791</u></u>	<u><u>8,284,539</u></u>

Restricted cash and cash equivalents and investments consisted of the following at June 30, 2021:

	<u>General Fund</u>	<u>CUPCA Fund</u>	<u>Olmsted Fund</u>	<u>CWP Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>
Emergency Reserve	\$ —	—	—	—	—	34	—
Replacement Reserve	—	—	—	—	—	16	—
District Facility Reserve	—	—	—	—	—	849,777	—
Liability Insurance Reserve	5,599,784	—	—	—	—	—	—
Power Loss Reserve	5,308	—	—	—	—	—	—
Project Facility Reserve	—	—	—	—	—	8,289,258	—
WCWEP Project Reserve	—	—	—	—	—	628,169	—
CWP Reserve	—	—	—	3,018,495	—	—	—
O&M Bond Pledge Reserve	3,792,014	—	—	—	—	—	—
Central Utah Project Completion Act (note 10)	—	44,420,701	—	—	—	—	—
Olmsted Replacement Project	—	—	1,053,553	—	—	—	—
Debt Service Fund	—	—	—	—	25,436,410	—	—
Debt Service Coverage Maintenance	—	—	—	—	21,817,973	—	—
Contingency Reserve	—	—	—	—	—	11,304,187	—
Future Capital Projects	—	—	—	—	—	3,182,396	—
Hydroelectric Reserve	—	—	—	—	—	—	7,288,755
Total restricted cash, cash equivalents, and investments	\$ <u><u>9,397,106</u></u>	<u><u>44,420,701</u></u>	<u><u>1,053,553</u></u>	<u><u>3,018,495</u></u>	<u><u>47,254,383</u></u>	<u><u>24,253,837</u></u>	<u><u>7,288,755</u></u>

Also see note 8.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

(i) *Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The Act requires deposits be in a qualified depository. The Act defines a qualified depository as any Utah depository institution or an out of state depository institution that is authorized to conduct business in this state, whose deposits are insured by an agency of the federal government, which has been certified by the Utah State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council (the Council).

At June 30, 2021, the total carrying amount of the District's restricted and unrestricted cash deposits (net of outstanding checks) was \$47,069,978 and the bank balances were \$47,966,337 of which \$250,000 is covered by federal depository insurance and \$47,716,337 was uninsured. No deposits are collateralized and collateralization is not required by state statute.

(b) *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 District 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 District's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (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 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 carrying value of the pool shares.

(i) *Fair Value of Investments and Cash Equivalents*

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

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

The District has no assets measured on a recurring basis using Level 3 inputs. The following table sets forth the District’s assets at fair value as of June 30, 2021:

	<b>June 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>
	<hr/>	<hr/>	<hr/>
Cash equivalents:			
Utah Public Treasurers’ Investment Fund	\$ 296,487,802	296,487,802	—
Commercial Paper	499,800	—	499,800
U.S. Agencies	302,983	—	302,983
Money Market Mutual Funds	132,006	132,006	—
	<hr/>	<hr/>	<hr/>
Total cash equivalents	297,422,591	296,619,808	802,783
Investments:			
U.S. Treasuries	20,578,194	—	20,578,194
U.S. Agencies	201,968	—	201,968
Commercial Paper	499,599	—	499,599
	<hr/>	<hr/>	<hr/>
Total investments	21,279,761	—	21,279,761
	<hr/>	<hr/>	<hr/>
Total cash equivalents, and investments measured at fair value	\$ <u>318,702,352</u>	<u>296,619,808</u>	<u>22,082,544</u>

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The PTIF investment pool is valued at net asset value, as a trading price, has a readily determinable fair value, and is classified as a Level 1 investment. Debt securities classified in Level 2 are valued using observable inputs other than quoted market prices.

(ii) *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations between 270 days to 15 months or less, depending on the type of investment. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government-sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2021, the District's investments had the following maturities:

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Treasuries	\$ 20,578,194	4,778,855	15,799,339	—	—
U.S. Agencies	201,968	201,968	—	—	—
Commercial Paper	499,599	499,599	—	—	—
Total	\$ 21,279,761	5,480,422	15,799,339	—	—

(iii) *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At June 30, 2021, the District's investments had the following quality ratings:

Investment type	Fair value	Quality ratings			
		AAA	AA	A	Unrated
U.S. Treasuries	\$ 20,578,194	20,578,194	—	—	—
U.S. Agencies	201,968	—	—	—	201,968
Commercial Paper	499,599	—	—	499,599	—
Total	\$ 21,279,761	20,578,194	—	499,599	201,968

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

(iv) *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5–10% depending upon the total dollar amount held in the portfolio.

At June 30, 2021, the District held \$499,599 of commercial paper.

**(3) Water and Aqueduct Rights and Privileges**

Under the provisions of the contract between the District and the U.S. Department of the Interior, Bureau of Reclamation (the Bureau), the title to project works constructed or acquired by the Bureau shall remain with the Bureau notwithstanding transfer of the care, operation, and maintenance of said works to the District. The contract further provides that the District shall have the permanent right to use and dispose of project water as such water is made available to it pursuant to development block notices and in compliance with applicable Reclamation Law. When all of the project water of a project has been made available, the District shall thereafter have the permanent right to the annual water yield from such project subject to certain rights reserved for the United States as provided in the contract.

Water and aqueduct rights and privileges have been capitalized at the amounts originally payable to the Bureau for development blocks completed (note 5) and other payments made directly to the Bureau.

Water and aqueduct rights and privileges included in the accompanying government-wide statement of net position and business type activities balance sheet as of June 30, 2021 comprise as follows:

<u>Block notice number</u>			
1	21,400 acre-feet of water from Starvation Reservoir for irrigation purposes; issued June 26, 1970	\$	4,698,100
1A	15,100 acre-feet of water from Jordanelle Reservoir for irrigation purposes; issued April 3, 2000		2,340,500
	Municipal and industrial amendment 1A1 IRR: issued January 23, 2019 conversion reduction of 300 acre-feet from irrigation to municipal and industrial purposes		(28,830)
	Municipal and industrial amendment 1A1 M&I: issued January 23, 2019 300 acre-feet converted from irrigation to municipal and industrial		1,343,087
1B	3,000 acre-feet of water from Starvation Reservoir for irrigation purposes; issued August 2, 2004		285,000

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

<b>Block notice number</b>			
2	200 acre-feet of water from Starvation Reservoir for municipal, domestic, and miscellaneous purposes; issued May 29, 1975	\$	255,000
	Municipal and industrial amendment; issued March 19, 1980		123,310
	Municipal and industrial amendment; issued January 1, 1988		15,690
	Municipal and industrial amendment; issued June 23, 1997		652,424
3	300 acre-feet of water from Starvation Reservoir for municipal, domestic, and miscellaneous purposes; issued December 13, 1979		578,000
	Municipal and industrial amendment; issued January 1, 1988		13,000
	Municipal and industrial amendment; issued June 23, 1997		978,636
4A	11,000 acre-feet of water from project water for municipal, industrial, and miscellaneous purposes; issued May 16, 1987		14,329,000
	Municipal and industrial amendment; issued January 1, 1988		1,459,000
	Municipal and industrial amendment; issued May 8, 1995		14,754,160
	Municipal and industrial amendment; issued June 23, 1997		27,011,160
4B	9,000 acre-feet of water from project water and costs of additional facilities for municipal, industrial, and miscellaneous purposes; issued November 12, 1987		19,447,000
	Municipal and industrial amendment; issued May 8, 1995		5,542,040
	Municipal and industrial amendment; issued June 23, 1997		22,100,040
Special Block Notice 1	260 acre-feet of water from Strawberry Reservoir for industrial and miscellaneous purposes; issued November 12, 1987		512,000
	Municipal and industrial amendment; issued June 7, 1995		209,906
	Municipal and industrial amendment; issued June 23, 1997		638,445
Special Block Notice 2	5,000 acre-feet of water from Jordanelle Reservoir for municipal and industrial purposes; issued March 31, 1995		22,030,650
	Municipal and industrial amendment; issued June 23, 1997		4,129,950
5A	13,800 acre-feet of water from Jordanelle Reservoir for municipal and industrial purposes; issued May 30, 1997		72,203,256
5B	2,400 acre-feet of water from Jordanelle Reservoir for municipal and industrial purposes; issued April 1, 2000		12,557,102
5C	7,900 acre-feet of water from Jordanelle Reservoir for municipal and industrial purposes; issued June 24, 2002		41,333,796
5D	1,590 acre-feet of water from Strawberry Reservoir for municipal and industrial purposes; issued June 30, 2003		8,319,087
6	43,300 acre-feet of water from Strawberry Reservoir for municipal and industrial purposes; issued June 30, 2004		226,551,051

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

<u>Block notice number</u>			
7A-2	22,000 acre-feet of water from Strawberry Reservoir for municipal and industrial purposes; issued October 1, 2020	\$	152,626,667
7B-2	410 acre-feet of water from Strawberry Reservoir for municipal and industrial purposes; issued March 27, 2020		2,844,408
7B-3	500 acre-feet of water from Strawberry Reservoir for municipal and industrial purposes; issued January 13, 2021		3,468,790
UBRP1	2,500 acre-feet of irrigation water from the enlarged Big Sand Wash Reservoir, issued November 1, 2010		237,500
UBRP2	3,000 acre-feet of water from the enlarged Big Sand Wash Reservoir for municipal and industrial purposes, issued April 16, 2020		<u>23,366,656</u>
	Total block notices		686,925,581
	Water rights of the CWP System		110,893,685
	Water rights in Utah Lake		12,605,434
	Facility rights, conveyance rights, and other		<u>26,132,235</u>
	Total water and aqueduct rights and privileges (note 4)	\$	<u><u>836,556,935</u></u>

**(4) Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	<u>Balances, June 30, 2020</u>	<u>Transfers/ additions</u>	<u>Transfers/ deletions</u>	<u>Balances, June 30, 2021</u>
Governmental funds:				
Nondepreciable capital assets:				
Water and aqueduct rights and privileges \$	678,495,083	158,061,852	—	836,556,935
Land rights	29,369,808	6,580,557	(3,400,450)	32,549,915
Construction in progress:				
District pipelines (non-federal)	<u>755,009</u>	<u>3,000,015</u>	<u>(48,458)</u>	<u>3,706,566</u>
Total construction in progress	<u>755,009</u>	<u>3,000,015</u>	<u>(48,458)</u>	<u>3,706,566</u>
Total nondepreciable capital assets	<u>708,619,900</u>	<u>167,642,424</u>	<u>(3,448,908)</u>	<u>872,813,416</u>



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	<u>Balances, June 30, 2020</u>	<u>Transfers/ additions</u>	<u>Transfers/ deletions</u>	<u>Balances, June 30, 2021</u>
Depreciable capital assets:				
Treatment plants:				
Utah valley plant	\$ 100,025,444	212,841	—	100,238,285
Duchesne valley plant	52,990,765	19,666,434	—	72,657,199
Ashley valley plant	34,308,165	3,507,552	—	37,815,717
Total treatment plants	187,324,374	23,386,827	—	210,711,201
Central Water Project (non-federal)	225,438,653	6,635,640	—	232,074,293
District pipelines (non-federal)	2,919,382	841,515	—	3,760,897
District office facilities	22,415,657	874,744	(73,044)	23,217,357
District vehicles	4,639,000	1,040,194	(176,739)	5,502,455
Total depreciable capital assets	442,737,066	32,778,920	(249,783)	475,266,203
Accumulated depreciation	(86,754,185)	(12,209,341)	248,829	(98,714,697)
Depreciable capital assets, net	355,982,881	20,569,579	(954)	376,551,506
Capital assets, net	\$ <u>1,064,602,781</u>	<u>188,212,003</u>	<u>(3,449,862)</u>	<u>1,249,364,922</u>
Enterprise Fund:				
Jordanelle Hydropower	\$ 21,670,298	—	—	21,670,298
Accumulated depreciation	(4,761,298)	(441,238)	—	(5,202,536)
Jordanelle Hydro plant, net	\$ <u>16,909,000</u>	<u>(441,238)</u>	<u>—</u>	<u>16,467,762</u>

Depreciation expense of \$5.4 million related to treatment plants and \$5.3 million related to CWP is allocated to water treatment plants and other projects in the accompanying government-wide statement of net position. Depreciation expense of \$1.5 million related to office facilities and vehicles is recorded as expense of the general government in the statement of net position, as the related capital assets essentially serve all functions. Additionally, depreciation expense of \$0.4 million is related to the enterprise fund.

**(5) Contract Obligations and Long-Term Debt**

Under terms of an original contract between the District and the Bureau for the construction of facilities of the Bonneville Unit of the Central Utah Project (the Project), the District agreed to pay the Bureau the project repayment obligation of \$130,673,000, plus 20% for possible increases in construction costs, as project facilities are completed and the water from these project facilities becomes available for use. The Bureau establishes developmental blocks and apportions to each block an appropriate part of the District's repayment obligations based on the nature of the water use therein. Any block notice issued with respect thereto is subject to adjustment, depending on the facilities finally constructed, and on the allocation of construction costs and allotments of the project water to irrigation and municipal and industrial uses as made by the U.S. government in accordance with Reclamation Law. The District's original repayment

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

obligation of \$130,673,000 was increased by 20% to \$156,808,000 for increases resulting from price increases for construction of project works. The District's repayment obligation is based on the Definite Plan Report dated August 1964.

Due to substantial increases in the estimated costs to complete the Project, the District negotiated a supplemental repayment contract with the Bureau that was approved by the District voters in 1985. The 1985 Supplemental Repayment Contract does not alter the original repayment contract noted in the preceding paragraph and provides for an additional \$335,000,000, plus a maximum of 10% for cost increase, to be paid by the District.

As projects are completed and block notices are issued under the above described repayment contracts, the District assumes full responsibility for repayment of such debt. Typically, under terms of the repayment contracts, 34.00% of the debt for municipal and industrial water is to be repaid from District assessed property tax revenue. The source of repayment for the remaining 66.00% of the debt is anticipated to be generated from water usage fees arising from municipal and industrial users. It is the District's anticipation that such usage contracts will be entered into as projects are completed; however, any shortfall arising from an inability to generate user fees will be the responsibility of the District. Such debt is generally to be repaid over a period not to exceed a 50-year term, at an interest rate not to exceed 3.22%.

*Debt Disclosures* – The District and the Bureau amended the repayment contract in years 2020, 2005, 2002, 2000, 1999, 1998, and 1997, which allowed the District to prepay the Bureau for Block Notices originally issued. The actual amount prepaid to retire the outstanding principal balances totaling \$636,543,017 was \$468,531,143. Below is a listing of the original present values of the prepayment amounts:

<u>Prepayment period</u>	<u>Principal (P)</u>	<u>Interest (I)</u>	<u>(P + I)</u>
2020 Prepayment	\$ 152,626,667	146,938,993	299,565,660
2005 Prepayment	234,524,940	188,883,426	423,408,366
2002 Prepayment	41,333,796	35,061,917	76,395,713
2000 Prepayment	12,557,102	11,509,184	24,066,286
1999 Prepayment	2,388,685	7,204,709	9,593,394
1998 Prepayment	127,626,496	109,519,843	237,146,339
1997 Prepayment	65,485,331	46,727,369	112,212,700
Total	<u>\$ 636,543,017</u>	<u>545,845,441</u>	<u>1,182,388,458</u>

The amount prepaid will be applied against the District's total outstanding contractual block notice obligation as 50 annual credits.

Certain bond issues require the establishment of a bond service fund and bond reserve fund in amounts as indicated in the respective bond agreements.

**(a) Current Financing Activity**

The foregoing obligations are recorded as long-term debt in the accompanying government-wide statement of net position, and principal and interest payments are made from the Debt Service Fund.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

A summary of changes in long-term debt is as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation and revenue bonds	\$ 599,747,000	258,930,000	219,859,000	638,818,000	28,657,000
U.S. government obligations	10,415,487	156,095,457	152,928,279	13,582,665	1,139,077
Premiums, net of amortization	<u>52,739,667</u>	<u>35,404,767</u>	<u>23,757,930</u>	<u>64,386,504</u>	<u>5,315,984</u>
Total bonds payable, net	<u>\$ 662,902,154</u>	<u>450,430,224</u>	<u>396,545,209</u>	<u>716,787,169</u>	<u>35,112,061</u>
Business-type activities:					
Hydropower revenue bonds payable	\$ 12,675,000	—	825,000	11,850,000	900,000
Premiums, net of amortization	<u>793,632</u>	<u>—</u>	<u>114,742</u>	<u>678,890</u>	<u>114,742</u>
Total bonds payable, net	<u>\$ 13,468,632</u>	<u>—</u>	<u>939,742</u>	<u>12,528,890</u>	<u>1,014,742</u>

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

A summary of payments and balances for the year ended June 30, 2021 is as follows:

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Block Notice 1 – issued in the original amount of \$4,698,100 in 1970; annual payments of principal only of \$18,620 through 2021, then \$960,395 through 2025	\$ 18,620	—	3,841,580
Block Notice 1A1 IRR – issued in the original amount of \$2,340,500 in 2000; annual payments of principal only of \$46,810 through 2019 and \$45,880 through 2050. 300 AF was converted to M&I use in 2019.	45,880	—	1,330,520
Block Notice 1A1 M&I – 300 AF converted to M&I from Block 1A1 IRR in 2019. Issued in the original amount of \$1,343,087 in 2019; interest at 3.222%; annual payments of principal and interest of \$66,987 through 2049.	26,705	40,282	1,223,524
Block Notice 1B – issued in the original amount of \$285,000 in 2005; annual payments of principal only of \$5,700 through 2055	5,700	—	193,800
Block Notice 3 – issued in the original amount of \$578,000 in 1979; with an additional \$13,000 added in 1988 and an additional \$978,636 added in 1997; interest at 3.222%; annual payments of principal and interest of \$84,620 through 2021	81,979	2,641	—
Block Notice 4A – issued in the original amount of \$14,329,000 in 1987; with an additional \$1,459,000 in 1988, an additional \$14,754,160 added in 1995, and an additional \$27,011,160 added in 1997; interest at 3.222%; annual payments of principal and interest of \$2,524,854 through 2035	1,569,105	955,749	28,094,104

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Block Notice 4B – issued in the original amount of \$19,447,000 in 1987; with an additional \$5,542,040 added in 1995 and an additional \$22,100,040 added in 1997; interest at 3.222%; annual payments of principal and interest of \$2,041,688 through 2035	\$ 1,268,835	772,853	22,717,897
Block Notice 5A – issued in the original amount of \$72,203,256 in 1997; annual payments of principal and interest of \$2,834,316 through 2047	1,203,918	1,630,398	49,398,117
Block Notice 5B – issued in the original amount of \$12,557,102 in 2000; annual payments of principal and interest of \$501,382 through 2047	212,970	288,412	8,738,356
Block Notice 5C – issued in the original amount of \$41,333,796 in 2003; annual payments of principal and interest of \$1,697,683 through 2047	721,117	976,566	29,588,207
Block Notice 5D – issued in the original amount of \$8,319,087 in 2003; annual payments of principal and interest of \$345,198 through 2047	146,627	198,571	6,016,332
Block Notice 6 – issued in the original amount of \$226,551,051 in 2004; annual payments of principal and interest of \$9,501,508 through 2047	4,035,909	5,465,599	165,597,843
Block Notice 7A-2 – issued in the original amount of \$152,626,667 in 2020; annual payments of principal and interest of \$5,991,310 through 2070 with interest starting in 2022	5,991,310	—	146,635,357
Block Notice 7B-2 – issued in the original amount of \$2,844,408 in 2020; annual payments of principal and interest of \$111,656 through 2069	23,607	88,049	2,709,145
Block Notice 7B-3 – issued in the original amount of \$3,468,790 in 2021; annual payments of principal and interest of \$136,165 through 2070 with interest starting in 2022	136,165	—	3,332,625

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Special Block Notice 1 – issued in the original amount of \$512,000 in 1987; with an additional \$209,906 added in 1996 and an additional \$638,445 added in 1997; interest at 3.222%; annual payments of principal and interest of \$57,907 through 2037	\$ 33,775	24,132	715,191
Special Block Notice 2 – issued in the original amount of \$22,030,650 in 1995; \$4,129,950 added in 1997; interest at 3.222%; annual payments of principal and interest of \$1,036,565 through 2044	484,241	552,324	16,658,030
Block Notice Prepayment – issued in the original amount of \$65,485,331 in 1997. This amount represents a prepayment of \$35,500,000 toward existing Block Notices, which had a present value of \$112,212,700, as if paid in annual payments consisting of principal in the amount of \$65,485,331 and interest in the amount of \$46,727,369. The \$112,212,700 is applied against the District's total outstanding contractual Block Notice obligation as 50 annual credits of \$2,244,254.	(1,214,168)	(1,030,086)	(44,050,226)
Block Notices Prepayment, which had a present value of \$237,146,339, as if paid in annual payments consisting of principal in the amount of \$127,626,496 in 1998 and interest in the amount of \$109,519,843. The \$237,146,339 is applied against the District's total outstanding contractual Block Notice obligation as 50 annual credits at various amounts.	(3,427,685)	(2,908,011)	(73,533,112)

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Block Notice Prepayment – issued in the original amount of \$12,557,102 in 2000. This amount represents a prepayment of \$4,260,556 toward existing Block Notices, which had a present value of \$24,066,286, as if paid in annual payments consisting of principal in the amount of \$12,557,102 and interest in the amount of \$11,509,184. The \$24,066,286 is applied against the District’s total outstanding contractual Block Notice obligation as 48 annual credits at various amounts	\$ (212,970)	(288,412)	(8,738,356)
Block Notice Prepayment – issued in the original amount of \$41,333,796 in 2002. This amount represents a prepayment of \$20,131,736 toward existing Block Notices, which had a present value of \$76,395,713, as if paid in annual payments consisting of principal in the amount of \$41,333,796 and interest in the amount of \$35,061,917. The \$76,395,713 is applied against the District’s total outstanding contractual Block Notice obligation as 45 annual credits of \$1,697,683.	(721,117)	(976,566)	(29,588,207)
Block Notice Prepayment – issued in the original amount of \$234,524,940 in 2005. This amount represents a prepayment of \$72,449,940 toward existing Block Notices, which had a present value of \$423,408,366, as if paid in annual payments consisting of principal in the amount of \$234,524,940 and interest in the amount of \$188,883,426. The \$423,408,366 is applied against the District’s total outstanding contractual Block Notice obligation as 43 annual credits of \$9,846,706.	(4,182,536)	(5,664,170)	(171,614,175)

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
<p>Block Notice Prepayment – issued in the original amount of \$152,626,667 in October 2020. This amount represents a prepayment of \$152,626,667 toward existing Block Notices, which had a present value of \$299,565,660, as if paid in annual payments consisting of principal in the amount of \$152,626,667 and interest in the amount of \$146,938,993. The \$299,565,660 is applied against the District’s total outstanding contractual Block Notice obligation as 50 annual credits at various amounts.</p>	\$ 146,635,357	—	(146,635,357)
<p>Jensen Unit, Central Utah Project repayment contract – issued in the original amount of \$1,885,501 in 1988; interest at 3.222%; annual payments of principal and interest of \$77,039 through 2037</p>	44,935	32,104	951,472
<p>Water Conservancy Revenue Bonds (1998 B and C Series) – issued in the original amount of \$840,000 and \$1,300,000, respectively, in 1998. Interest on B bonds is at 0%. Interest on C bonds is at 5.75%, payable semiannually beginning October 1, 1998 and thereafter on each April 1 and October 1 through 2023. Various installments of B bonds begin in 2024 and conclude in 2028.</p>	108,000	19,608	1,073,000



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Water Conservancy Revenue Bonds (2008 B-2 Series) – issued in the original amount of \$69,900,000 in 2008; interest at 3.6%, payable monthly beginning July 1, 2008. Principal payments due at various maturity dates. The refunding bond included \$228,977 of deferred charges. In March of 2011, the District refunded \$10,545,000 of this series.	\$ —	1,185,403	54,655,000
Jordanelle Hydro Electric Revenue Bonds (2008 B-4 Series) – issued in the original amount of \$26,500,000 in 2008; interest at a rate of 3.6%, payable monthly beginning July 1, 2008. Principal payments due annually beginning on October 1, 2028. The refunding bond included \$510,429 of deferred charges.	—	40,408	5,010,000
General Obligation (2008 Series) Refunding Bonds – issued in the amount of \$148,700,000 in 2008; interest at a rate of 3.6%, payable monthly beginning July 1, 2008. Principal payments due annually beginning on April 1, 2009. The refunding bond included \$3,625,869 of deferred charges. Effective March 9, 2011, \$72,300,000 of the bonds were refunded.	1,600,000	24,517	19,200,000
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2009) – issued in the original amount of \$15,000,000 in 2010; the bonds are non-interest bearing with principal payments in the amount of \$3,000,000 per year beginning April 1, 2029	—	—	15,000,000
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2010B) – issued in the original amount of \$6,000,000 in 2010; the bonds are non-interest bearing with principal payments in the amount of \$200,000 per year beginning October 1, 2012	200,000	—	4,200,000

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	<u>2021 Payments</u>		<u>Principal</u>
	<u>Principal</u>	<u>Interest</u>	<u>balances at June 30, 2021</u>
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2010C) – issued in the original amount of \$4,000,000 in 2010; the bonds are Direct Pay Build America bonds and bear interest at 2.0% with principal payments in the amount of \$200,000 per year through 2020 beginning in 2011, with a balloon payment of \$2,000,000 in 2021	\$ 200,000	44,000	2,000,000
Water Revenue Refunding Bonds (Series 2011A) issued in the amount of \$9,935,000 plus \$732,204 reoffering premium in 2011. Interest is payable at 2.0% to 5.0% with interest and principal payments beginning October 1, 2011 The refunding bond included \$1,026,696 of deferred charges.	1,165,000	76,725	1,360,000
General Obligation Limited Tax Refunding Bonds (Series 2011A) issued in 2011 in the amount of \$80,075,000 plus \$6,274,247 reoffering premium. Interest is payable at 2.25% to 5.00% with interest and principal payments beginning April 1, 2012 The refunding bond included \$10,234,842 of deferred charges and was removed as part of the Series 2021A refunding. Effective January 28, 2021 \$70,715,000 of the bonds were refunded.	71,765,000	3,588,250	—
General Obligation Limited Tax Refunding Bonds (Series 2011B) issued in 2011 in the amount of \$63,115,000 plus \$7,259,676 reoffering premium. Interest is payable at 2.00% to 5.25% with interest and principal payments beginning April 1, 2012 The refunding bond included \$7,724,984 of deferred charges and was removed as part of the Series 2021A refunding. Effective January 28, 2021 \$29,500,000 of the bonds were refunded.	34,620,000	1,726,000	—
General Obligation Limited Tax Refunding Bonds (Series 2011C) issued in 2011 in the amount of \$37,545,000 plus \$6,128,406 reoffering premium. Interest is payable at 2.00% to 5.00% with interest and principal payments beginning April 1, 2012 The refunding bond included \$2,646,288 of deferred charges.	5,275,000	523,600	8,103,967

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	<u>2021 Payments</u>		<u>Principal balances at June 30, 2021</u>
	<u>Principal</u>	<u>Interest</u>	
Jordanelle Hydroelectric Revenue Refunding Bonds (Series 2012A) issued in the amount of \$11,490,000 plus \$1,721,130 reoffering premium in June 2012. Interest is payable at coupon rates ranging from 2.50% to 5.00% with interest payments beginning October 1, 2012. Principal payments begin October 1, 2015. The refunding bond included \$384,634 of deferred charges	\$ 825,000	315,100	7,518,890
Water Revenue Refunding Bonds (Series 2012B) issued in 2012 in the amount of \$15,745,000 with a reoffering premium of \$2,863,551. Interest is payable at 2.00% to 5.00% through 2022. The refunding bond included \$1,782,924 of deferred charges.	2,405,000	299,475	6,055,775
Water Revenue Bonds Series 2012C issued in the original amount of \$123,965,000 with a premium of \$22,557,250. Interest is payable at a 5.00% coupon rate with maturities beginning in 2022 and going through 2042. Effective July 27, 2016, \$27,965,000 of the bonds were refunded. Effective October 29, 2020, \$96,000,000 of the bonds were refunded.	96,000,000	2,400,000	—
General Obligation Refunding Bonds Series 2013A issued in the original amount of \$51,155,000 with a premium of \$3,503,657. Interest is payable at coupon rates ranging from 2.00% to 5.00% and bonds mature beginning in 2014 through 2034. The refunding bond included deferred charges of \$6,968,473.	160,000	1,778,900	46,430,027
Water Revenue Refunding Bonds Series 2016A issued in the original amount of \$25,045,000 with a premium of \$7,418,053. Interest is payable 5.00% coupon rate with maturities beginning in 2022 and going through 2028. The refunding bond included deferred charges of (\$259,237).	—	1,252,250	29,417,926

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	<u>2021 Payments</u>		<u>Principal</u>
	<u>Principal</u>	<u>Interest</u>	<u>balances at June 30, 2021</u>
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2017A) – issued in the original amount of \$5,950,000 in 2017. The initial draw was \$3,400,000 in 2017, 500,000 was drawn in 2020, the remaining \$2,050,000 will be drawn in 2022. Interest is payable at 1% coupon rate with maturities beginning in 2018 and going through 2037.	\$ 236,000	30,791	3,200,000
Water Revenue Refunding Bonds (Series 2017B) issued in 2017 in the amount of \$197,360,000 with a reoffering premium of \$24,419,860. Interest is payable at 4.00% to 5.00% through 2040. These proceeds were used to crossover refund Series 2010A, on the April 1, 2020 crossover refunding date.	6,125,000	8,674,625	211,762,279
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2020A) – issued in the original amount of \$3,500,000 in 2020; the bonds are non-interest bearing with principal payments in the amount of \$117,000 per year beginning October 1, 2022	—	—	3,500,000
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2020B) – issued in the original amount of \$18,000,000 in 2020; The initial draw was \$2,180,000 in 2020, an additional draw of \$3,000,000 occurred in 2021 the remaining \$12,820,000 will be drawn in 2022. Interest is payable at 1.25% coupon rate with maturities beginning in 2023 and going through 2052.	—	—	5,180,000
Water Conservancy Taxable Subordinate Revenue Bonds (Series 2020C) – issued in the original amount of \$10,000,000 in 2020. The initial draw was \$2,100,000 in 2020, the remaining \$7,900,000 was drawn in 2021 Interest is payable at 1.25% coupon rate with maturities beginning in 2022 and going through 2041.	—	—	10,000,000

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

	2021 Payments		Principal balances at June 30, 2021
	Principal	Interest	
Water Revenue Refunding Bonds (Series 2020D) issued in 2020 in the amount of \$66,570,000 with a reoffering premium of \$16,936,742. Principal payments begin on October 1, 2035. Interest is payable at 4.00% to 5.00% through 2042. These bonds refunded the remaining \$83,041,929 of principal of the 7A-2 Block Notice.	\$ —	1,264,428	82,993,507
Water Revenue Taxable Refunding Bonds (Series 2020E) issued in 2020 in the amount of \$96,475,000. Principal payments begin on October 1, 2021. Interest is payable at rates ranging from 0.29% to 2.121% through 2035. The refunding bond included (\$12,812,973) of deferred charges. These bonds refunded the remaining \$96,000,000 of principal of the 2012C Series.	—	563,300	96,475,000
General Obligation Limited Tax Refunding Bonds (Series 2021A) issued in 2021 in the amount of \$84,985,000 with a reoffering premium of \$18,468,024. Interest is payable at 4.00% to 5.00% through 2030. The refunding bond included \$4,565,390 of deferred charges. These bonds refunded the remaining \$70,715,000 of principal of the 2011A GO Series and \$29,500,000 of principal of the 2011B GO Series.	—	—	102,598,021
Total	\$ <u>373,612,279</u>	<u>23,967,815</u>	<u>729,316,059</u>
Total governmental activities	\$ <u>372,787,279</u>	<u>23,612,307</u>	<u>716,787,169</u>
Total business type activities	\$ <u>825,000</u>	<u>355,508</u>	<u>12,528,890</u>

**(b) Current Year Contract Revisions**

In October 2020, the District received Block Notice 7A-2 from the Bureau for the delivery of 22,000 acre-feet of municipal and industrial water made available from the various District facilities including the enlarged Strawberry Reservoir. The Block Notice obligation was \$152,626,667, but was considered a prepayment after 207 Credits for instream flows purposes, Advance Credits on local cost share, and the refunding of the remaining obligation was applied. The remaining obligation was \$83,041,929. The remaining obligation was refunded with the 2020D Series revenue refunding bonds as noted in the General Obligations and Revenue Bonds section below.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

The District anticipates being able to use 207 Credits and Advance Credits to offset future Block Notice obligations. However, the use of 207 Credits and Advance Credits require Bureau approval and negotiation for each future obligation. As of June 30, 2021, the 207 Credits accumulated through 2021 totaled \$0 and the Advance Credits total \$8.6 million.

On January 13, 2021, the District received Block Notice 7B-3 for the delivery of 500 acre-feet of municipal and industrial water made available from the enlarged Strawberry Reservoir. The principal amount of the block notice was \$3,468,790. The amount to be paid annually is \$136,165 assuming a 50-year amortization.

**(c) Schedule of Repayment of Contracts and Block Notices**

Annual principal maturities on the repayment obligations and related interest using interest rates as of June 30, 2021 for the five years subsequent to June 30, 2021 and, thereafter, for contracts and block notices are as follows:

	<b>Contracts and block notices</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year(s) ending June 30:			
2022	\$ 1,139,077	264,744	1,403,821
2023	1,143,172	260,650	1,403,822
2024	1,147,400	256,422	1,403,822
2025	1,151,763	252,059	1,403,822
2026	195,872	247,554	443,426
2027–2031	1,052,170	1,164,967	2,217,137
2032–2036	1,188,643	1,028,495	2,217,138
2037–2041	1,025,195	883,786	1,908,981
2042–2046	1,069,573	762,369	1,831,942
2047–2051	1,027,066	625,066	1,652,132
2052–2056	756,753	505,155	1,261,908
2057–2061	860,061	379,045	1,239,106
2062–2066	1,007,837	231,270	1,239,107
2067–2070	818,083	61,694	879,777
Total	13,582,665	6,923,276	20,505,941
Less current portion	(1,139,077)	(264,744)	(1,403,821)
Long-term debt, net of current portion	\$ 12,443,588	6,658,532	19,102,120

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

#### **(d) General Obligation and Revenue Bonds**

On October 29, 2020, the District issued \$66,570,000 Water Revenue Refunding Bonds, Series 2020D with a reoffering premium of \$16,936,742 at a true interest cost of 2.6 percent to current refund the remaining \$83.0 million of outstanding 7A-2 block notice obligations with an average remaining coupon rate of 2.9 percent. The net proceeds of \$83.0 million (after payment of \$0.5 million in underwriting fees and other issuance costs) were used to advance pay the District's 7A-2 block notice through a wire directly to the Bureau of Reclamation. As a result of this advance payment, the use of 207 Credits, and Advance Credits noted in the Current Year Contract Revisions section above, the 7A-2 block notice obligation was defeased and the liability for those bonds has been removed from the government-wide statement of net assets for fiscal year 2021. The economic gain on the refunding was deemed to be approximately \$1.1 million.

On October 29, 2020, the District issued \$96,475,000 Taxable Water Revenue Refunding Bonds, Series 2020E with a reoffering premium of \$0 at a true interest cost of 2.6 percent to advance refund the remaining \$96.0 million of outstanding 2012C Series Revenue bonds with an average remaining coupon rate of 5.0 percent. The net proceeds of \$95.8 million (after payment of \$0.7 million in underwriting fees and other issuance costs) plus an additional \$9.5 million of 2012C Series debt service reserve fund moneys were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to pay the remaining principal and interest due on the 2012C Series bonds through the call date on October 1, 2022. As a result, the 2012C Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets for fiscal year 2021. The economic gain on the refunding was deemed to be approximately \$38.6 million.

On January 28, 2021, the District issued \$84,985,000 General Obligation Refunding Bonds, Series 2021A with a reoffering premium of \$18,468,024 at a true interest cost of 0.56 percent to current refund \$70.7 million of outstanding 2011A GO Series bonds with an average remaining coupon rate of 5.0 percent and 29.5 million of outstanding 2011B GO Series bonds with an average remaining coupon rate of 5.0 percent. The net proceeds of \$100.2 million (after payment of \$0.7 million in underwriting fees, other issuance costs, and \$2.5 million to terminate an interest rate swap) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to pay the remaining principal and interest due on the 2011A & B GO Series bonds on April 1, 2021. As a result, the 2011A & B GO Series bonds were defeased and the liability for those bonds has been removed from the government-wide statement of net assets for fiscal year 2021. The economic gain on the refunding was deemed to be approximately \$18.5 million.

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Using assumed interest rates for the life of the bonds, debt service requirements of the variable rate, and fixed rate debt and net swap payments are as follows. As rates fluctuate, variable rate bond interest payments and net swap payments will vary. Annual principal maturities on the repayment obligations and related interest using interest rates as of June 30, 2021 for the five years subsequent to June 30, 2021 and, thereafter, for general obligation and revenue bonds, including net interest rate swap impact, are as follows:

	<b>Governmental activities – GO and revenue bonds</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Interest rate swaps, net</b>	<b>Total</b>
Fiscal year(s) ending June 30:				
2022	\$ 28,657,000	24,376,979	39,058	53,073,037
2023	30,892,000	22,336,871	39,058	53,267,929
2024	32,283,000	21,059,051	39,058	53,381,109
2025	33,640,000	19,741,345	39,058	53,420,403
2026	35,977,000	18,370,246	39,058	54,386,304
2027–2031	178,723,000	70,566,827	42,375	249,332,202
2032–2036	185,634,000	39,867,297	—	225,501,297
2037–2041	110,593,000	11,273,400	—	121,866,400
2042–2046	12,437,000	566,275	—	13,003,275
2047–2051	4,022,000	174,788	—	4,196,788
2052	830,000	8,925	—	838,925
Less undisbursed amounts	<u>(14,870,000)</u>	<u>—</u>	<u>—</u>	<u>(14,870,000)</u>
Total	638,818,000	228,342,004	237,665	867,397,669
Add unamortized premiums	<u>64,386,504</u>	<u>—</u>	<u>—</u>	<u>64,386,504</u>
Total with premiums	703,204,504	228,342,004	237,665	931,784,173
Less:				
Current portion of principal	(28,657,000)	(24,376,979)	(39,058)	(53,073,037)
Current portion – premiums	<u>(5,315,984)</u>	<u>—</u>	<u>—</u>	<u>(5,315,984)</u>
Long-term debt, net of current portion	\$ <u>669,231,520</u>	<u>203,965,025</u>	<u>198,607</u>	<u>873,395,152</u>



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

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**(e) Enterprise Fund Obligations – Jordanelle Hydro**

Annual principal maturities on the Jordanelle Hydro revenue bonds and related interest using interest rates as of June 30, 2021 for the five years subsequent to June 30, 2021 and, thereafter, are as follows:

	<b>Business-type activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year(s) ending June 30:			
2022	\$ 900,000	582,625	1,482,625
2023	890,000	553,575	1,443,575
2024	900,000	513,275	1,413,275
2025	1,000,000	465,775	1,465,775
2026	1,010,000	415,525	1,425,525
2027–2031	5,940,000	1,428,363	7,368,363
2032	1,210,000	92,880	1,302,880
Total	11,850,000	4,052,018	15,902,018
Add unamortized premiums	678,890	—	678,890
Total with premiums	12,528,890	4,052,018	16,580,908
Less:			
Current portion of principal	(900,000)	(582,625)	(1,482,625)
Current portion of premiums	(114,742)	—	(114,742)
Long-term debt, net of current portion	\$ 11,514,148	3,469,393	14,983,541

**(6) Variable Rate Bonds and Swap Agreements**

**Financing Objective** – It has been the District’s goal, in light of the amount of debt it has issued, to develop a finance plan that would achieve the lowest borrowing costs possible without exposing itself to significant levels of risk. The District has used resources available in the market place to achieve its financial goals. The District has issued both fixed rate and variable rate bonds, often utilizing derivatives, specifically interest rate swaps and caps, to hedge against variable interest rate volatility. To date, the combination of these tools has significantly reduced the District’s capital borrowing costs. The fair value of the swaps used in hedging interest rates has been recorded in the statement of net position as deferred outflow/inflow of resources and derivative swap asset/liability. The following sections outline the basic risks associated with derivatives followed by the specific details of the transactions, separated by general obligation, and revenue bond categories:

**Credit Risk** – Credit Risk is the risk that the counterparty will not fulfill its obligations to the District. Should a swap be terminated when there is a positive value to the District, the District has the risk the counterparty will not be able to make the termination payment. Also, during the life of the swap, the District runs the risk that the counterparty will not make the monthly swap payments and thus be exposed to variable interest

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rates. This risk has been mitigated by the highly rated counterparties in these transactions. In managing its interest rate swaps, the District adheres to the rules and regulations set forth by the Utah State Money Management Council.

**Basis Risk** – The District’s variable rate bondholders are paid the bond rate, which closely follows the tax-exempt interest rate of the Securities Industry and Financial Markets Association (SIFMA) plus a spread, if any, based upon actual remarketing rates. Interest rate swaps can be structured utilizing a number of indices, which results in varying synthetic fixed rates. The basis risk is created when the interest paid by the District to the bondholder differs from the interest rate received from the counterparty.

**Termination Risk** – The contracts permit the District to terminate its swaps, one or all, at any time. The counterparty may only terminate the swap should the District not uphold its covenants agreed to in the documents. The termination of a swap exposes the District to a positive or negative swap termination payment, based upon the current market value of the swap. Depending on the market value of the swap, a payment is made from the owing party in the transaction.

**Rollover Risk** – The District is exposed to rollover risk with its interest rate derivatives. Should a derivative terminate before the underlying bonds mature, there could be a time when the District is exposed to market volatility. Upon the termination of current interest rate derivatives, the District could be exposed to different market conditions for hedging its true variable rate bonds.

**Statement of Net Position Presentation** – The fair value of the swaps that are considered to be effective hedges is presented as deferred outflow/inflow of resources under noncurrent assets and/or derivative swap liability under long-term liabilities in the statement of net position.

As of June 30, 2021, the District held two interest rate swap agreements, one with the Royal Bank of Canada and another with Bank of New York Mellon. The notional amounts and the fair value liability (asset) balances of the District’s interest rate swaps as of June 30, 2021 are as follows:

	<b>Notional</b>	<b>Fair value</b>
Royal Bank of Canada	\$ 43,935,000	(225,404)
Bank of New York Mellon	33,100,000	5,582,780
	\$ 77,035,000	5,357,376

**(a) General Obligation Variable Rate Bonds**

*(i) Series 2008A Bonds*

As of June 30, 2021, debt service requirements of the variable rate debt, assuming a historical rate of 3.6% on true variable rate debt is as follows. As rates vary, variable rate bond interest payments will vary. As of June 30, 2021, the actual interest rate is 0.06%.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

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The following table is a summary of the District's general obligation variable rate bonds along with the projected interest expense:

	<b>General obligation variable rate bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year(s) ending June 30:			
2022	\$ 1,700,000	691,200	2,391,200
2023	600,000	630,000	1,230,000
2024	800,000	609,652	1,409,652
2025	1,100,000	578,407	1,678,407
2026	1,500,000	540,000	2,040,000
2027–2031	10,100,000	1,011,607	11,111,607
2034	3,400,000	356,407	3,756,407
Total	\$ <u>19,200,000</u>	<u>4,417,273</u>	<u>23,617,273</u>

As of June 30, 2021, the District had the following swaps outstanding in connection with its general obligation bonds.

(ii) *Swap Agreement Related to General Obligation Bonds*

On February 21, 2020, the District entered into an interest rate swap agreement with Royal Bank of Canada (RBC), whereby it pays a fixed rate of 1.132% and receives from RBC a floating rate based on 80% of 3-Month LIBOR on a notional amount of \$100,215,000. This transaction (the 2020 Rate Lock) has an effective date of July 1, 2021, a termination date of April 1, 2032, and a mandatory early termination date of July 1, 2021. At the time of entering the agreement, RBC had at least two credit ratings in the AA category, which met the Utah State Money Management Rules (Rule 18) for a term of up to 18 years. The purpose of the 2020 Rate Lock was to hedge interest rate risk in anticipation of the District issuing tax exempt refunding bonds around April 1, 2021. On January 29, 2021 the District used the proceeds of the 2021A Series refunding bonds to refund the 2022 to 2032 maturities of its outstanding Series 2011A and 2011B General Obligation Limited Tax Refunding Bonds, which had a call date of April 1, 2021. The 2020 Rate Lock was integrated with the anticipated refunding bonds so that any mandatory early termination payment would be included in determining yield on the refunding bonds for federal income tax purposes. The swap termination payment at the time of the refunding was \$2.5 million.

On February 2, 2021, the District entered into an interest rate swap agreement with Royal Bank of Canada (RBC), whereby it pays a fixed rate of 1.5165% and receives from RBC a floating rate based on 90% of 3-Month LIBOR on a notional amount of \$43,935,000. This transaction (the 2021 Rate Lock) has an effective date of July 1, 2023, a termination date of April 1, 2034, and a mandatory early termination date of July 1, 2023. At the time of entering the agreement, RBC had at least two credit ratings in the AA category, which met the Utah State Money Management Rules (Rule 18) for a term of up to 18 years. The purpose of the 2021 Rate Lock was to hedge interest rate risk in anticipation of the District issuing tax exempt refunding bonds around April 1, 2023, the proceeds of which would be used to refund the 2024 to 2034 maturities of its outstanding Series 2013A General Obligation Limited Tax Refunding Bonds, which have a call date of April 1, 2023.

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The 2021 Rate Lock was integrated with the anticipated refunding bonds so that any mandatory early termination payment would be included in determining yield on the refunding bonds for federal income tax purposes.

Net interest paid or received is included in interest expense. Under the terms of the 2021 Rate Lock, interest will begin accruing on July 1, 2023.

Fair Value – As of June 30, 2021, the swap asset had a fair value of (\$225,404) calculated under the terms and conditions of the Swap Agreement, which represents an increase in the asset of \$225,404 from inception of January 29, 2021. RBC, as the swap provider, is the Calculation Agent. The swap is classified as a Level 2 financial instrument.

**(b) Revenue Variable Rate Bonds**

*(i) Series 2008B 2 Bonds*

As of June 30, 2021, debt service requirements of the variable rate debt, assuming a historical rate of 3.6% on true variable rate debt and the respective swap rate on the hedged debt are described below. As rates vary, variable rate bond interest payments will vary. As of June 30, 2021, the actual interest rate is 0.06%.

The following table summarizes the District's variable rate revenue bonds related to its governmental activities along with projected interest costs:

	<b>Governmental activities</b>		
	<b>Revenue variable rate bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year(s):			
2022	\$ 55,000	1,927,204	1,982,204
2023	—	1,926,542	1,926,542
2024	2,900,000	1,859,956	4,759,956
2025	3,000,000	1,747,396	4,747,396
2026	3,100,000	1,639,844	4,739,844
2027–2031	18,300,000	6,489,107	24,789,107
2032–2035	27,300,000	2,711,805	30,011,805
Total	\$ 54,655,000	18,301,854	72,956,854

*(ii) Swap Agreement Related to Revenue Bonds*

As of June 30, 2021, the District has one swap outstanding in connection with its revenue bonds.

In August 2009, the District entered into a swap contract with Bank of New York Mellon (BoNY). Because the Utah State Money Management Rules (Rule 18) limits the term of the swap based upon counterparty rating, the swap contract was entered into for a period of 18 years, the maximum period for an AA rated swap provider and are scheduled to terminate in August 2027.

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Notes to Basic Financial Statements

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(iii) *Series 2008B 2 (Utah Water Finance Agency Program B Revenue Bonds, Series B 2)*

In 2008 the District restructured three series of revenue variable rate bonds to improve the remarketing levels of the bonds. The District restructured bonds issued through the Utah Water Finance Agency (UWFA) Program A Revenue Bonds, Series A 1, A 12, and A 13 via the UWFA Program B Revenue Bonds, Series B 2. The swaps pertaining to the Series A 1 and A 12 Bonds were assigned to the UWFA Series B 2 Bonds. Other than the expiration date pertaining to the original swap for the A 12 Bonds and references to the correct Series of bonds, no terms of the swaps were altered.

*Terms* – In May 2005, the District issued its \$33,100,000 Series 2005C Revenue Refunding Bonds (UWFA A 12), which were originally issued in a variable rate mode. At the closing, the District also entered into a pay fixed, receive variable interest rate swap for a notional amount equaling the principal amount of the Series 2005C Bonds. The Series 2005C Bonds were subsequently refunded with Series 2008B 2 Bonds and the swap was assigned to the refunding bonds. The swap will expire on August 1, 2027, and while in effect, BoNY will pay to the District a variable rate equivalent to 67.00% of one month LIBOR and the District will pay a fixed rate of 3.48%.

*Fair Value* – As of June 30, 2021, the swap liability had a fair value of \$5,582,780 calculated under the terms and conditions of the Swap Agreement, which represents a decrease in the liability of \$1,918,591 from June 30, 2020. BoNY, as the swap provider, is the Calculation Agent. The swap is classified as a Level 2 financial instrument.

**(c) Enterprise Fund Variable Rate Bonds**

(i) *Series 2008B-4 Bonds*

The following table summarizes the District’s variable rate revenue bonds related to its business type activities along with projected interest costs based upon a historical rate of 3.6%. As of June 30, 2021, the actual interest rate is 0.68%.

	<b>Business-type activities</b>		
	<b>Revenue variable rate bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year(s):			
2022	—	288,900	288,900
2023	—	288,900	288,900
2024	—	288,900	288,900
2025	—	288,900	288,900
2026	—	288,900	288,900
2027–2031	3,800,000	1,327,050	5,127,050
2032	1,210,000	92,880	1,302,880
Total	\$ 5,010,000	2,864,430	7,874,430

There are no swap agreements related to the Enterprise Fund’s variable rate debt.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

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**(7) Deferred Gain or Loss on Refunding**

The District reviews and evaluates its outstanding debt portfolio on an ongoing basis. In conducting those reviews, consideration is given to refunding existing debt and replacing it with a new issue. Refunding of existing debt may be done for a variety of reasons, often to take advantage of lower interest rates. It may also be done to revise payment schedules, reduce exposure to certain market risks (e.g., variable rate and derivative related), remove, or modify restrictions on existing debt, or for other reasons. In a refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt gives rise to a deferred gain or loss on refunding. This deferred gain or loss on refunding is recognized as a deferred outflow of resources or a deferred inflow of resources and amortized to interest expense in a systematic and rational manner over a period of time that is the shorter of the remaining life of the old debt or the life of the new debt. The following table summarizes the activity related to deferred gain or loss on refunding:

		<b>Government related</b>			
		<u>Balance</u>			<u>Balance</u>
		<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Refundings	\$	30,526,096	(8,247,584)	(17,959,826)	4,318,686
Amortization		<u>(15,887,357)</u>	<u>(1,045,765)</u>	<u>9,493,042</u>	<u>(7,440,080)</u>
Total	\$	<u>14,638,739</u>	<u>(9,293,349)</u>	<u>(8,466,784)</u>	<u>(3,121,394)</u>

  

		<b>Business related</b>			
		<u>Balance</u>			<u>Balance</u>
		<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Refundings	\$	617,368	—	—	617,368
Amortization		<u>(305,043)</u>	<u>(33,668)</u>	—	<u>(338,711)</u>
Total	\$	<u>312,325</u>	<u>(33,668)</u>	<u>—</u>	<u>278,657</u>

**(8) Reserves**

The reserve balances are allocated to a variety of purposes by either management or external parties and are defined below.

**(a) Emergency and Replacement Reserves**

The District is required under a contract with the United States Bureau of Reclamation dated December 28, 1965 to establish a Replacement Reserve Fund and an Emergency Reserve Fund for operations and maintenance as development block notices are issued. The contract requires that these funds shall be maintained apart from other District funds. Withdrawal, investment, or other dispositions are subject to the approval of the appropriate United States Contracting Officer. The Replacement Reserve Fund shall be used for replacement of project works such as buildings, short wave radio facilities, and pumping plants of the District. The Emergency Reserve Fund for operations and maintenance shall be used for payment of the District's share of extraordinary costs of operations and

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

maintenance. The balances in the Replacement Reserve Fund and the Emergency Reserve Fund at June 30, 2021 were \$16 and \$34 respectively.

**(b) Bond Pledge Reserve**

Revenue Bond Covenants require the District to place funds on deposit to cover one quarter of the yearly budgeted operation and maintenance costs to operate Project and District features. A dedicated reserve was created by direction of the Board in March 2009 and contains \$3,792,014 as of June 30, 2021.

**(c) Power Loss Reserve**

The Power Loss Reserve was established through a contract between the U.S. government and Utah Power (PacifiCorp). In 1990, the government determined that under the Olmsted Condemnation, they would condemn the main diversion from the Provo River, which was owned at the time by Utah Power, as a backup water supply for water users in the Utah Valley and other surrounding areas. In response to litigation, an agreement between the U.S. government and Utah Power was established whereby Utah Power was paid \$2,000,000 for the diversion and was allowed to retain management of the diversion and continue to collect revenue from power generated by the water supply. The contract also stipulated that, in the event that the Government used the water from the diversion as a backup water supply, water users were to be billed, and all additional revenue collected by water users be placed into the Power Loss reserve account. If the water used resulted in reduced power generated and sold by Utah Power, the District was required to pay Utah Power (PacifiCorp) annually for the difference between the revenue they earned and the revenue they would have earned. As of June 30, 2021, this contract has expired and the District has taken over the responsibility for the Olmsted Hydroelectric Project and is currently in the final testing phases of replacing the power plant. As of June 30, 2021, the reserve has a balance of \$5,308 which will be used to help fund the replacement power plant.

**(d) Debt Service Reserves**

The District maintains debt service reserves in accordance with bond agreements and covenants. The cash balance of this reserve is \$25,436,410 as of June 30, 2021.

**(e) Debt Service Coverage Maintenance Reserve**

Revenue Bond Covenants require the establishment of a Debt Service Coverage Maintenance Fund with contributions until an aggregate balance of \$20,000,000 has been achieved. The fund is used to provide assurance that the District will maintain sufficient revenue to equal at least 150% of the aggregate debt service on all bonds for any fiscal year. As of June 30, 2021, the reserve has a cash balance of \$21,817,973.

**(f) CUPCA Reserve**

The District maintains reserves that are specifically for the completion of the Central Utah Project. The cash balance of these reserves at June 30, 2021 was \$44,420,701.

**(g) Olmsted Replacement Project Reserve**

The District maintains reserves that are specifically for the completion of the Olmsted Replacement Project. The cash balances of those reserves at June 30, 2021 was \$1,053,553.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

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**(h) Future Capital Projects Reserve**

The District maintains reserves for future capital projects, which aggregated to \$196,702,079 as of June 30, 2021.

**(i) Liability Insurance Reserve**

During 1992, the Board authorized the creation of a Liability Insurance Reserve to provide for the District's self-insurance needs for auto, theft, burglary, fire, and other such claims. Yearly contributions were to be made to this reserve until it reached \$5,000,000. The reserve has a balance of \$5,599,784 as of June 30, 2021.

**(j) Contingency Reserve**

In 1993, the Board established a Contingency Reserve Fund in the amount of \$1,500,000 in the Capital Projects Fund and directed that yearly contributions of \$500,000 be made until the fund reached \$10,000,000. At June 30, 2021, the balance of the related reserve was \$11,304,187.

**(k) CWP Reserve**

The District created a CWP Reserve to help fund unusual maintenance and replacement activities at the Central Water Project facilities. The reserve, as of June 30, 2021, has a balance of \$3,018,495.

**(l) Project Facility Reserve**

Concurrent with the creation of the Emergency and Replacement Reserves, the District created a Project Facility Reserve to help fund unusual maintenance and replacement activities at the Central Utah Project facilities. The reserve, as of June 30, 2021, has a balance of \$8,289,258.

**(m) WCWEP Project Reserve**

The District operates and maintains certain features of the Wasatch County Water Efficiency Project in Wasatch County, Utah. In 2004, a reserve was created that will be used to fund the various maintenance activities at this facility. At June 30, 2021, this reserve has a balance of \$628,169.

**(n) District Facility Reserve**

The District created a District Facility Reserve to help fund unusual maintenance and replacement needs of the District's three water treatment plants, located in Orem, Duchesne, and Ashley Valley. A charge for every acre foot of water treated is accumulated in this reserve, which as of June 30, 2021, has a balance of \$849,777.

**(o) Jordanelle Hydropower Reserves**

The District also maintains reserves related to Jordanelle Hydropower in the Enterprise Fund, primarily for contingencies, revenue stabilization, and debt service in the aggregate amount of \$7,288,755 as of June 30, 2021.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

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**(9) Interfund Transfers**

Interfund transfers for the year ended June 30, 2021 consisted of the following:

	Transfers					Total
	General Fund	CUPCA Fund	CWP Fund	Debt Service Fund	Capital Projects Fund	
Transfers in	\$ —	15,000,000	—	123,373,261	59,771,556	198,144,817
Transfers out	115,234,800	39,652,784	28,257,233	—	15,000,000	198,144,817

Amounts transferred to the CUPCA Fund are used for ongoing activities to complete the Central Utah Project. Amounts transferred from the CWP Fund are used to help fund CWP's debt portions and Capital Projects Fund projects. Amounts transferred to the Debt Service Fund are used for debt principal and interest payments. Amounts required to cover reserved and designated fund balances in the General Fund are retained in the General Fund, with any excess available amounts transferred to the Capital Projects Fund.

**(10) Central Utah Project Completion Act**

On October 30, 1992, the CUPCA (P.L. 102 575 (106 Stat. 4600)) was signed into federal law. The Act authorized approximately \$924 million in federal funds to complete water projects in the 8 county area included in the District. The District must petition Congress for funding on a year-to-year basis and must provide a 35% cost share to match the reimbursable share of the federal portion. The federal reimbursement for the year ended June 30, 2021 totaled \$54.1 million.

The Act gives the District the authority to oversee the planning, design, management, and construction of the remaining facilities of the Central Utah Project; however, the U.S. Department of the Interior retains ownership. The Act emphasizes Districtwide public involvement, addresses protection and enhancement of the environment, and creates stream flow levels to protect present and future fisheries. The Act also calls for significant water conservation programs and specific water management plans.

**(11) Retirement Plans**

**(a) General Information about the Pension Plan**

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems comprise the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined-benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the state of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the Web site: [www.urs.org/federal/publications](http://www.urs.org/federal/publications).

**(b) Benefits Provided**

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

<b>Summary of Benefits by System</b>				
<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory system	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* Actuarial reductions are applied

\*\* All postretirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

**(c) Contributions**

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2021 are as follows:

<b>Utah Retirement Systems</b>			
	<u>Employee paid</u>	<u>Employer contribution rates</u>	<u>Employer rate for 401(k) Plans</u>
Contributory system:			
111 – Local Governmental Division Tier 2	N/A	15.80	0.89
Noncontributory system:			
15 – Local Governmental Division Tier 1	N/A	18.47	N/A
Tier 2 DC only			
211 Local Government	N/A	6.69	10.00

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

For fiscal year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

	<u>Employer contributions</u>	<u>Employee contributions</u>
System:		
Noncontributory System	\$ 1,226,384	N/A
Tier 2 Public Employees	427,544	—
Tier 2 DC Only System	<u>75,823</u>	<u>N/A</u>
Total contributions	\$ <u><u>1,729,751</u></u>	<u><u>—</u></u>

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

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

**(d) Combined Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported a business-type activities net pension asset of \$13,414 and a governmental activity net pension liability of \$442,447 for combined net pension liability of \$429,033.

	<u>Net pension asset</u>	<u>Net pension liability</u>	<u>Prop. Share December 31, 2020</u>	<u>Prop. Share December 31, 2019</u>	<u>Change (decrease)</u>
Noncontributory system	\$ —	406,119	0.7917434 %	0.7658906 %	0.0258528 %
Tier 2 public employees	—	22,914	0.1593123	0.1750546	(0.0157423)
Total net pension asset/liability	\$ <u>—</u>	<u>429,033</u>			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year

For the year ended June 30, 2021, the District recognized total pension expense of \$743,542.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 565,929	10,492
Changes in assumptions	28,983	53,957
Net difference between projected and actual earnings on pension plan investments	—	3,032,481
Changes in proportion and differences between contributions and proportionate share of contributions	183,722	—
Contributions subsequent to the measurement date	864,258	—
Total	\$ <u>1,642,892</u>	<u>3,096,930</u>

The District reported \$864,258 as deferred outflows of resources related to pensions resulting from contributions made by the District prior to the District's fiscal year-end, but subsequent to the measurement date of December 31, 2020.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net deferred outflows (inflows) of resources</b>
	<u>                    </u>
Year ending December 31:	
2021	\$ (585,288)
2022	(243,097)
2023	(1,037,932)
2024	(496,253)
2025	7,738
Thereafter	<u>36,536</u>
	\$ <u><u>(2,318,296)</u></u>

**(e) Noncontributory System Expense, and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2021, the District recognized pension expense for this plan of \$510,286.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Noncontributory System from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 544,837	—
Changes in assumptions	—	53,123
Net difference between projected and actual earnings on pension plan investments	—	2,965,505
Changes in proportion and differences between contributions and proportionate share of contributions	149,779	—
Contributions subsequent to the measurement date	<u>607,971</u>	<u>—</u>
Total	\$ <u><u>1,302,587</u></u>	<u><u>3,018,628</u></u>

The District reported \$607,971 as deferred outflows of resources related to the Noncontributory System resulting from contributions made by the District prior to the District's fiscal year-end, but subsequent to the measurement date of December 31, 2020.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Net deferred outflows (inflows) of resources</b>
	<u>                    </u>
Year ending December 31:	
2021	\$ (11,510)
2022	(6,804)
2023	(15,631)
2024	(4,612)
2025	7,738
Thereafter	<u>36,535</u>
	<u>\$ 5,716</u>

**(g) Actuarial Assumptions**

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25–9.25% average, including inflation
Investment rate of return	6.95%, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building – block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<b>Expected return arithmetic basis</b>		
	<b>Target asset allocation</b>	<b>Real return arithmetic basis</b>	<b>Long-term expected portfolio real rate of return</b>
Asset class:			
Equity securities	37 %	6.30 %	2.33 %
Debt securities	20	—	—
Real assets	15	6.19	0.93
Private equity	12	9.50	1.14
Absolute return	16	2.75	0.44
	<u>100 %</u>		<u>4.84 %</u>
Inflation			2.50 %
Expected arithmetic nominal return			7.34 %

The 6.95% assumed investment rate of return comprises an inflation rate of 2.50% and a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95%.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

<b>System – (asset) liability</b>	<b>1% Decrease (5.95)%</b>	<b>Discount rate (6.95)%</b>	<b>1% Increase (7.95)%</b>
Noncontributory System	\$ 7,040,899	406,119	(5,124,968)
Tier 2 Public Employees System	<u>385,566</u>	<u>22,914</u>	<u>(254,506)</u>
Total	\$ <u><u>7,426,465</u></u>	<u><u>429,033</u></u>	<u><u>(5,379,474)</u></u>

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

**(h) Defined-Contribution Savings Plans**

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

Central Utah Water District participates in the following Defined-Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

Employee and employer contributions to the Utah Retirement Defined-Contribution Savings Plans for fiscal year ended June 30 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
401(k) Plan:			
Employer contributions	\$ 150,196	112,915	76,359
Employee contributions	250,323	214,495	201,882
457 Plan:			
Employer contributions	\$ —	—	—
Employee contributions	20,785	7,136	4,605
Roth IRA Plan:			
Employer contributions	\$ —	—	—
Employee contributions	109,308	102,566	76,152
Traditional IRA Plan:			
Employer contributions	\$ —	—	—
Employee contributions	300	—	—

**(12) Postretirement Healthcare Benefits**

**(a) Plan Description**

The District administers a single-employer defined benefit healthcare plan (the Plan). The governing board of the District sets all policies for the Plan. The Plan provides limited healthcare insurance for eligible retirees and their spouses through the state of Utah's public employees' group health insurance plan, which covers both active and retired members. The Plan covers only those employees who were working for the District or were retired as of July 1, 1994. At that point, membership in the Plan was frozen. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**(b) Benefits Provided**

Employees in the Plan receive one month of health insurance coverage under the Plan for every eight hours of sick leave, accumulated at retirement. Employees in the Plan can continue to earn additional months of coverage while they are still employed with the District. Coverage only applies during the retiree's lifetime and terminates at the earlier of the death of the retiree or when the accumulated earned benefits run out. When the retiree and/or his/her spouse turns 65, the retiree/spouse receives Medicare supplement coverage. Employees receive eight hours of sick leave each month. The Plan does not issue a separate financial report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

**(c) Employees Covered by Benefit Terms**

As of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	10
Active employees	14
	24
	24

**(d) Annual OPEB Cost and Total OPEB Liability**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for employers in plans with fewer than 100 total plan members. That method permits the District to calculate the OPEB liability and the related estimates without the services of an actuary. The measurement date used for the OPEB liability was June 30, 2021.

There are currently 24 members in the Plan. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 19 years (the average remaining life expectancy of the group). The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the District's net OPEB liability to the Plan:

**(i) Changes in the Total OPEB Liability**

The following table shows the components of the District's annual OPEB liability for the year:

Beginning OPEB Liability	\$	5,768,560
Service cost		126,453
Interest on the total OPEB liability		160,943
Changes of assumptions or other inputs		18,174
Benefit payments		(116,155)
Net changes		189,415
Ending OPEB liability	\$	5,957,975

**(e) Actuarial Assumptions and Inputs**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or the first subsequent year in which the member would qualify for benefits.

*Marital status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies were based on mortality table from the Social Security Administration. The 2019 United States Actuarial Life Tables from the Office of the Chief Actuary (most current information) for Males and for Females were used.

*Turnover* – Nongroup specific age based turnover data derived from information by the U.S. Office of Personnel Management were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at Centers for Medicare and Medicaid Services. A rate of 4.0% trending to a rate of 5.0% after three years was used.

*Health insurance premiums* – 2021 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid. Insurance rates used were age-adjusted premiums as determined by the State of Utah Public Employees Health Program.

*Inflation rate* – The expected long-term inflation rate of 2.4% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI W) in The 2021 Annual Report of the Board of Trustees of the Federal Old Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

*Discount rate* – The discount rate used is based on the S&P Municipal Bond 20 Year High Grade Rate Index (AA) at June 30, 2021.

In addition, a simplified version of the entry age actuarial cost method was used.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% to 2.18% and a change in health care cost trend rates range from 4.0% to 5.2% in 2020 to 4.0% to 5.0% in 2021.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Basic Financial Statements

June 30, 2021

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.18%) or 1-percentage point higher (3.18%) than the current discount rate:

	<b>1% Decrease 1.18%</b>	<b>Discount rate 2.18%</b>	<b>1% Increase 3.18%</b>
Net OPEB liability	6,460,169	5,957,975	5,504,717

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0% to 4.0%) or 1-percentage-point higher (5.0% to 6.0%) than the current healthcare cost trend rates:

	<b>1% Decrease (3.0% to 4.0%)</b>	<b>Cost Trend Rate (4.0% to 5.0%)</b>	<b>1% Increase (5.0% to 6.0%)</b>
Net OPEB Liability	5,455,344	5,957,975	6,520,589

**(13) June Sucker Recovery Fund**

The District administers funds on behalf of the parties that have entered into an agreement to rehabilitate the June sucker, a native Utah fish on the endangered species list. Transactions related to this activity are recorded in the June Sucker Recovery Fund, a fiduciary fund.

**(14) Tax Abatements**

In addition to various taxes the District levies for its own purposes, the District levies taxes for other governments; those taxes are forwarded to those other governments as the taxes are collected. Taxes levied by the District in fiscal year 2021 for other governments are recorded as revenue with an equivalent amount of expenditure. Incremental taxes of \$5.6 million were recorded in the General Fund and are forwarded to various redevelopment agencies within the District for the purposes of financing urban renewal, economic development, and community development projects by earmarking property tax revenue from increases in assessed values within project areas in the counties, as follows:

<b>County</b>	<b>Abatement amount</b>
Salt Lake	\$ 4,160,426
Utah	1,418,445
Total	\$ <u>5,578,871</u>

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Basic Financial Statements

June 30, 2021

#### **(15) Commitments and Contingencies**

The District is engaged in the construction of various water projects and treatment plant modifications. At June 30, 2021, the District had contract commitments of approximately \$64.1 million related to these projects.

The District is subject to certain routine litigation, claims, and commitments incident to the ordinary course of business. The District's management believes that the probable resolution of such contingencies will not significantly impact the financial position or results of operations of the District.

Also, the District is self-insured for auto insurance. However, as no claims have been filed against the District in recent years, no insurance related liability has been recorded in the basic financial statements. The Board committed unreserved fund balances in the General Fund for a Liability Insurance Reserve to provide for the District's self-insurance for auto, theft, burglary, fire, and other such claims. This balance is specifically committed to cover the deductible for the District's general liability insurance in the General Fund. The District has also committed in the Capital projects fund, a contingency reserve related to capital projects. The balances of these reserves at June 30, 2021 were \$5.6 million and \$11.3 million, respectively.

#### **(16) Subsequent Events**

Subsequent to June 30, 2021, the District has entered into construction contracts aggregating \$3.3 million relating to various District projects. On July 15, 2021, the District issued \$4.6 million in Hydroelectric Revenue Refunding bonds with a reoffering premium of \$777,941 at a true interest cost of 0.76 percent to current refund \$6.8 million of outstanding 2012A Series bonds with an average remaining coupon rate of 4.78 percent. The net proceeds of \$5.3 million (after payment of \$0.1 million in underwriting fees and other issuance costs) plus an additional \$1.1 million of 2012A Series debt service fund and \$1.2 million of 2012A Series debt service reserve fund moneys were used to purchase U.S. government securities. Those securities were used to fund \$0.5 million debt service reserve fund on the 2021B Series bonds and the remaining \$7.0 million was deposited in an irrevocable trust with an escrow agent to pay the remaining principal and interest due on the 2012A Series bonds on October 1, 2021. As a result, the 2012A Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets and statement of net position for the Jordanelle hydroelectric enterprise fund for fiscal year 2022. The economic gain on the refunding was deemed to be approximately \$0.7 million.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual –  
General Fund

Year ended June 30, 2021

(Unaudited)

	Budgeted amounts		Actual amounts	Variance with final budget – positive (negative)
	Original	Final		
Revenue:				
Property taxes	\$ 75,411,995	75,411,995	80,477,100	5,065,105
Redevelopment agency property taxes	5,300,000	5,600,000	5,578,871	(21,129)
Water sales	24,885,430	24,885,430	24,357,021	(528,409)
Interest	410,000	410,000	167,787	(242,213)
Other	3,732,660	33,812,660	31,485,551	(2,327,109)
Total revenue	<u>109,740,085</u>	<u>140,120,085</u>	<u>142,066,330</u>	<u>1,946,245</u>
Expenditures:				
Administrative and general	15,979,043	15,979,043	13,366,254	2,612,789
Redevelopment Agency property tax increment	5,300,000	5,600,000	5,578,871	21,129
District projects	2,286,483	2,286,483	1,866,449	420,034
Capital outlay	1,852,102	1,852,102	817,735	1,034,367
Water treatment plants and other projects	4,725,267	4,725,267	4,474,444	250,823
Central Utah Project operation and maintenance	6,599,951	6,599,951	4,947,711	1,652,240
Total expenditures	<u>36,742,846</u>	<u>37,042,846</u>	<u>31,051,464</u>	<u>5,991,382</u>
Excess of revenue over expenditures	72,997,239	103,077,239	111,014,866	7,937,627
Other financing sources:				
Net transfers in (out)	<u>(72,997,239)</u>	<u>(120,127,239)</u>	<u>(115,234,800)</u>	<u>4,892,439</u>
Net changes in fund balance	—	(17,050,000)	(4,219,934)	12,830,066
Fund balance – beginning	<u>26,565,110</u>	<u>26,565,110</u>	<u>26,565,110</u>	<u>—</u>
Fund balance – ending	<u>\$ 26,565,110</u>	<u>9,515,110</u>	<u>22,345,176</u>	<u>12,830,066</u>

See accompanying independent auditors' report.



**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual –  
CUPCA Fund

Year ended June 30, 2021

(Unaudited)

	Budgeted amounts		Actual amounts	Variance with final budget – positive (negative)
	Original	Final		
Revenue:				
Interest	\$ —	—	62,630	62,630
Federal funding	3,556,000	53,747,000	54,122,784	375,784
Total revenue	3,556,000	53,747,000	54,185,414	438,414
Expenditures:				
CUPCA activities	35,305,000	45,496,000	39,014,217	6,481,783
Loss of revenue over expenditures	(31,749,000)	8,251,000	15,171,197	6,920,197
Other financing sources:				
Transfers in (out)	15,000,000	(25,000,000)	(24,652,784)	347,216
Net changes in fund balance	(16,749,000)	(16,749,000)	(9,481,587)	7,267,413
Fund balance – beginning	51,323,566	51,323,566	51,323,566	—
Fund balance – ending	\$ 34,574,566	34,574,566	41,841,979	7,267,413

See accompanying independent auditors' report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual –  
Olmsted Fund

Year ended June 30, 2021

(Unaudited)

	<u>Budgeted amounts</u>		<u>Actual amounts</u>	<b>Variance with final budget – positive (negative)</b>
	<u>Original</u>	<u>Final</u>		
Revenue:				
Interest	\$ —	—	1,484	1,484
Total revenue	—	—	1,484	1,484
Expenditures:				
Olmsted Hydro Replacement Project	30,474	40,474	34,869	5,605
Loss of revenue over expenditures	(30,474)	(40,474)	(33,385)	7,089
Other financing sources:				
Contributions	—	—	—	—
Net changes in fund balance	(30,474)	(40,474)	(33,385)	7,089
Fund balance – beginning	1,086,926	1,086,926	1,086,926	—
Fund balance – ending	\$ <u>1,056,452</u>	<u>1,046,452</u>	<u>1,053,541</u>	<u>7,089</u>

See accompanying independent auditors' report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of the Proportionate Share of the Net Pension Liability

Year ended June 30, 2021

(Unaudited)

The schedule of the proportionate share of the net pension liability as of December 31 for the last 10 Fiscal Years\* is as follows:

	2014		2015		2016		2017		2018	
	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system
Proportion of the net pension liability (asset)	0.7299665 %	0.08852 %	0.7088248 %	0.13241 %	0.6949017 %	0.1293359 %	0.7280158 %	0.1738361 %	0.7319850 %	0.1641094 %
Proportionate share of the net pension liability (asset)	\$ 3,169,686	(2,683)	\$ 4,010,875	(288)	4,462,118	14,427	3,189,656	15,327	5,390,135	70,285
Covered employee payroll	6,450,671	434,698	6,217,107	855,565	6,204,142	1,060,657	6,258,438	1,702,060	6,286,364	1,912,972
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.10 %	(0.60)%	64.51 %	0.03 %	71.92 %	1.36 %	50.97 %	0.90 %	85.74 %	3.67 %
Plan fiduciary net position as a percentage of the total pension liability	90.2	103.5	87.8	100.2	87.3	95.1	91.9	97.4	87.0	90.8
	2019		2020		2021					
	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system	Noncontributory system	Tier 2 Public employees system				
Proportion of the net pension liability (asset)	0.7658906 %	0.1750546 %	0.7088248 %	0.13241 %	0.7917434 %	0.1593123 %				
Proportionate share of the net pension liability (asset)	\$ 2,886,541	39,371	\$ 4,010,875	(288)	406,119	22,914				
Covered employee payroll	6,524,321	2,433,035	6,217,107	855,565	6,722,730	2,546,544				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.24 %	1.62 %	64.51 %	0.03 %	6.04 %	0.90 %				
Plan fiduciary net position as a percentage of the total pension liability	93.7	96.5	87.8	100.2	99.2	98.3				

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10 year history of their proportionate share of the Net Pension Liability (Asset) in their Required Supplementary Information. The 10 year schedule will need to be built prospectively. Accordingly, the schedule above is only for 2014 through 2021.

See accompanying independent auditors' report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Contributions of the Net Pension Liability

Year ended June 30, 2021

(Unaudited)

Last 10 Fiscal Years\*

	<b>Fiscal year ended</b>	<b>Actuarial determined contributions</b>	<b>Contributions in relation to the contractually required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>Covered employee payroll</b>	<b>Contributions as a percentage of covered employee payroll</b>
Noncontributory System	2015	1,129,507	1,129,507	—	6,322,051	17.87 %
	2016	1,107,188	1,107,188	—	6,222,645	17.79
	2017	1,124,253	1,124,253	—	6,238,741	18.02
	2018	1,121,731	1,121,731	—	6,227,532	18.01
	2019	1,159,533	1,159,533	—	6,401,909	18.11
	2020	1,208,126	1,208,126	—	6,647,597	18.17
	2021	1,226,384	1,226,384	—	6,747,587	18.18
Tier 2 Public Employees System*	2015	92,543	92,543	—	619,429	14.94 %
	2016	146,017	146,017	—	979,319	14.91
	2017	207,926	207,926	—	1,394,541	14.91
	2018	260,595	260,595	—	1,724,652	15.11
	2019	348,789	348,789	—	2,244,464	15.54
	2020	386,053	386,053	—	2,465,217	15.66
	2021	427,544	427,544	—	2,705,971	15.80
Tier 2 Public Employees DC Only System	2015	3,552	3,552	—	52,862	6.72 %
	2016	3,727	3,727	—	55,708	6.69
	2017	4,646	4,646	—	69,441	6.69
	2018	15,539	15,539	—	232,277	6.69
	2019	24,054	24,054	—	359,551	6.69
	2020	50,097	50,097	—	649,932	7.71
	2021	75,823	75,823	—	1,050,199	7.22

\* Contribution in the Tier 2 System includes an amortization rate to help fund the unfunded liabilities in the Tier 1 Systems. The Tier 2 Systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10 year history of contributions in Required Supplementary Information, developed prospectively. Contributions as a percentage of covered payroll may be different than the Board certified rate due to rounding and other administrative issues.

See accompanying independent auditors' report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**  
**General Employees' Other Postemployment Benefits Plan**

Schedule of Changes in the Net OPEB liability

Year ended June 30, 2021

(Unaudited)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Beginning OPEB liability	\$ 5,218,383	5,037,254	5,574,193	5,768,560
Service cost	101,917	110,729	112,315	126,453
Interest on the total OPEB liability	163,335	150,110	155,520	160,943
Changes of assumptions or other inputs	(372,157)	376,006	35,475	18,174
Benefit payments	<u>(74,224)</u>	<u>(99,906)</u>	<u>(108,943)</u>	<u>(116,155)</u>
Net changes	<u>(181,129)</u>	<u>536,939</u>	<u>194,367</u>	<u>189,415</u>
Ending OPEB liability	\$ <u>5,037,254</u>	<u>5,574,193</u>	<u>5,768,560</u>	<u>5,957,975</u>
Covered-employee payroll	1,635,906	1,675,406	1,725,278	1,768,614
Net OPEB liability as a percentage of covered-employee payroll	308 %	333 %	334 %	337 %

Notes to schedule:

In accordance with paragraph 57a of GASB 75, employers will need to disclose a 10 year history of changes in the net OPEB liability.

Complete information was only available for fiscal years 2018 through 2021. Additional years' information will be added as it becomes available.

Changes of assumptions and other inputs reflect the effects of changes each period in the discount rate, inflation rate, insurance rates, and the health care cost trend rates. Such changes are as follows.

	<u>Discount rate</u>	<u>Inflation rate</u>	<u>Insurance rates increase</u>	<u>Health care cost trend rates</u>
2021	2.18	2.4 %	6.62 %	4.0 to 5.0%
2020	2.66	2.4	5.50	4.0 to 5.2%
2019	2.79	2.6	6.96	3.3 to 5.4%
2018	2.98	2.6	0.95	3.4 to 4.9%
2017	3.13	2.6	4.72	4.8 to 6.5%

See accompanying independent auditors' report.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Required Supplementary Information

Year ended June 30, 2021

(Unaudited)

**(1) Budget Operation**

The Central Utah Water Conservancy District operates within the budget requirements for special districts as specified by state law. The financial reports reflect the following budgetary standards:

- For the fiscal year beginning July 1, the District controller prepares departmental budgets, which are reviewed by staff and the Board of Trustees' (Board) standing committees. Following this review, a tentative budget is prepared, which is reviewed by the finance committee, and finally by the Board, generally by the Board meeting held in May of the preceding year.
- By state laws, the Board legally adopts the final budget after a public hearing has been held.
- Once adopted, the budget can be amended by subsequent Board action. Reductions in or reallocations of appropriations can be approved by the Board, but increased appropriations by fund require a public hearing prior to amending the budget.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2021 have been included in the final budget approved by the Board, as presented in the required supplementary information.
- The level for which expenditures may not legally exceed appropriations is the total budget of a given fund.
- As required by Utah state law, budgets for the General Fund and the Debt Service Fund are prepared and adopted on a generally accepted accounting principles (GAAP) basis of accounting.
- At the end of a year, unencumbered appropriations lapse.
- All funds at the District have legally adopted budgets.

**(2) Pension Beginning June 30, 2020 and Ending Values at June 30, 2021**

	Beginning values			Ending values		
	NPL/(NPA)	Asset	Liability	NPL/(NPA)	Asset	Liability
Noncontributory	\$ 2,886,541	—	2,886,541	406,119	—	406,119
Tier 2 public employees	39,371	—	39,371	22,914	—	22,914
Total	\$ 2,925,912	—	2,925,912	429,033	—	429,033

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Notes to Required Supplementary Information

Year ended June 30, 2021

(Unaudited)

**(3) Net Pension Liability/(Asset) at December 31, 2019 and Net Pension Liability/(Asset) at December 31, 2020**

Retirement system	2019			2020		
	System total NPL/(NPA)	Proportionate share	Ending values	System total NPL/(NPA)	Proportionate share	Ending values
Noncontributory:						
Local Government	\$ 376,886,867	0.7658906 %	\$ 2,886,541	51,294,272	0.7917434 %	\$ 406,119
State School	2,221,701,847	—	—	1,333,121,831	—	—
Higher Education	117,303,009	—	—	(98,628,647)	—	—
Contributory:						
Local Government	6,553,645	—	—	(17,922,189)	—	—
State School	6,903,821	—	—	(23,783,879)	—	—
Higher Education	(5,638,320)	—	—	(21,242,928)	—	—
Public Safety:						
Other DIV A	160,561,770	—	—	83,024,127	—	—
State of Utah	147,672,644	—	—	64,768,628	—	—
SLC	79,378,833	—	—	59,354,942	—	—
Ogden	18,021,465	—	—	11,397,619	—	—
Provo	10,274,637	—	—	8,625,453	—	—
Logan	4,607,392	—	—	3,260,891	—	—
Bountiful	6,051,891	—	—	5,282,030	—	—
Other DIV B	49,659,988	—	—	35,953,226	—	—
Firefighters:						
Other DIV A	(12,401,993)	—	—	(27,962,002)	—	—
Other DIV B	(62,531,340)	—	—	(134,734,945)	—	—
Judges	38,888,177	—	—	26,982,813	—	—
Utah Governors and Legislators	1,709,381	—	—	1,274,862	—	—
Tier 2 Public Employees	22,490,751	0.1750546	39,371	14,382,778	0.1593123	22,914
Tier 2 PS and Firefighters	9,406,436	—	—	8,969,463	—	—
<b>Total</b>	<b>\$ 3,197,500,901</b>		<b>\$ 2,925,912</b>	<b>1,359,634,466</b>		<b>\$ 429,033</b>

*Changes in Assumptions*

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability of as December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at [newsroom.urs.org](http://newsroom.urs.org) under the "Retirement Office" column using the "Reports and Stats" tab.



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Salt Lake City, UT 84101

## **Independent Auditors' 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***

Board of Trustees  
Central Utah Water Conservancy District:

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Utah Water Conservancy District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 25, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Salt Lake City, Utah  
October 25, 2021



KPMG LLP  
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Salt Lake City, UT 84101

## **Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
Central Utah Water Conservancy District:

### **Report on Compliance for Each Major Federal Program**

We have audited Central Utah Water Conservancy District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District'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 major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each



major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 District'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 type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*KPMG LLP*

Salt Lake City, Utah  
October 25, 2021

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

<u>Federal grantor/pass-through grantor/program title</u>	<u>Pass-through agency</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Expenditures</u>
U.S. Department of the Interior:				
Central Utah Project Completion Act	n/a	15.unknown	n/a	56,565,799
Fish and Wildlife Coordination Act	n/a	15.517	n/a	355,000
Upper Colorado River Basin Fish and Wildlife Mitigation Program	n/a	15.535	n/a	20,000
Upper Colorado River Basin Fish and Wildlife Mitigation Program	n/a	15.535	n/a	216,283
Olmsted Hydroelectric Power Plant Replacement Project	n/a	15.unknown	n/a	34,869
Total U.S. Department of the Interior				<u>57,191,951</u>
U.S. Department of Homeland Security				
Predisaster Mitigation	State of Utah Dept. Public Safety, Division of Emergency Management	97.047	EMD-2019-PC-0006	1,719,313
Total U.S. Department of Homeland Security				<u>1,719,313</u>
U.S. Environmental Protection Agency				
DWSRF Capitalization Grant - Loan #2020B	Utah Department of Water Quality	66.468	FS-99878419	8,545,749
DWSRF Capitalization Grant - Loan #2020C	Utah Department of Water Quality	66.468	FS-99878419	8,909,756
Total U.S. Environmental Protection Agency				<u>17,455,505</u>
Total Expenditures of Federal Awards				<u>\$ 76,366,769</u>

See accompanying notes to schedule of expenditures of federal awards.

## CENTRAL UTAH WATER CONSERVANCY DISTRICT

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

#### **(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Central Utah Water Conservancy District (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the District's consolidated financial statements.

#### **(2) Reporting Entity**

For purposes of the supplementary Schedule of Expenditures of Federal Awards, the District includes all the funds of the primary government as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

#### **(3) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **(4) Indirect Cost Rate**

The District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **(5) Loans**

As of June 30, 2021, the District had a loan balance outstanding of \$5,180,000 for the DWSRF #2020B loan and \$10,000,000 for the DWSRF #2020C loan. The DWSRF #2020B loan had an outstanding balance lower than the Schedule due to timing of the reimbursement loan draw that occurred subsequent to year end. The total amount authorized for these loans are \$18,000,000 and \$10,000,000, respectively.

**CENTRAL UTAH WATER CONSERVANCY DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Summary of Auditor's Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
  - Central Utah Project Completion Act – CFDA number unknown (15.UNK)
  - DWSRF Capitalization Grant – CFDA number 66.468
    - Loan #2020B
    - Loan #2020C
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,291,003**
- (i) Auditee qualified as a low-risk auditee: **Yes**

**Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**Findings and Questioned Costs Relating to Federal Awards**

None



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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***

The Board of Trustees  
Central Utah Water Conservancy District:

### **Report on Compliance**

We have audited Central Utah Water Conservancy District's (the District) 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 June 30, 2021.

State compliance requirements were tested for the year ended June 30, 2021, in the following areas:

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

### *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 District'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 compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the District'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 District's compliance with those requirements.

### *Opinion on Compliance*

In our opinion, Central Utah Water Conservancy District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.



## Report on Internal Control over Compliance

Management of the District 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 District'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 District'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 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 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.

KPMG LLP

Salt Lake City, Utah  
October 25, 2021