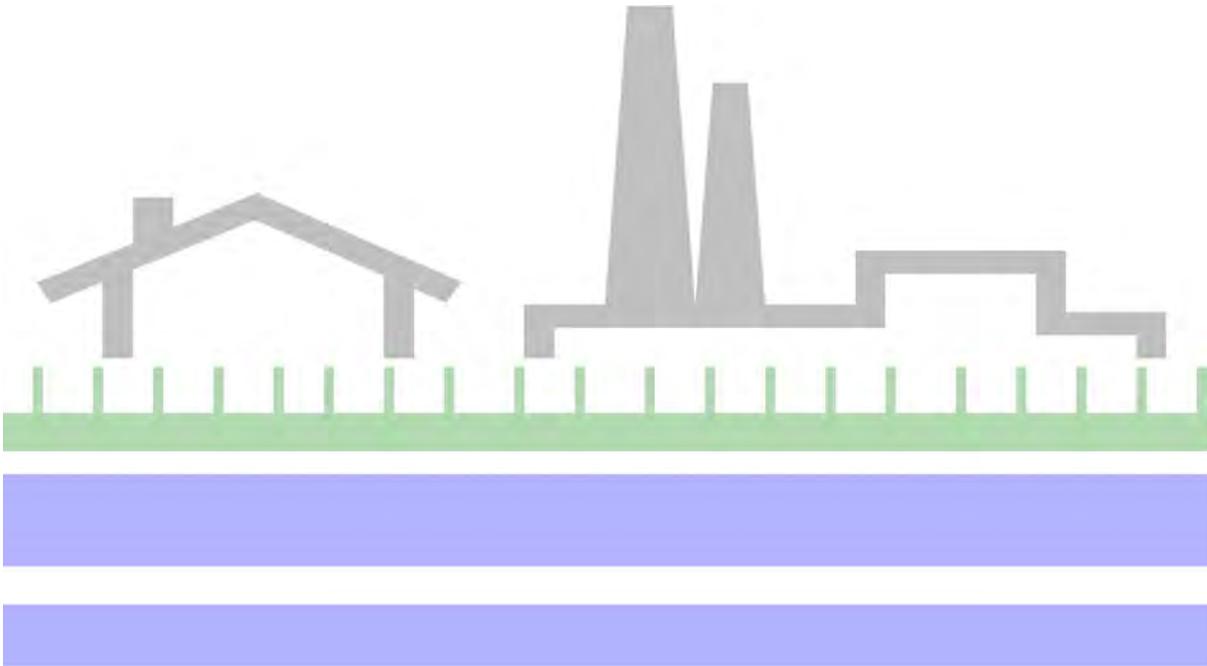


SOUTH DAVIS SEWER DISTRICT West Bountiful, Utah

Comprehensive Annual Financial Report For the Fiscal Years Ending December 31, 2017 and 2016



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful ,Utah



Comprehensive Annual Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Years Ending December 31, 2017 and 2016

Office Location: 1800 West 1200 North
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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

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Comprehensive Annual Financial Report
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INTRODUCTORY SECTION





South Davis Sewer District

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Office Location:
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July 19, 2018

To the Chairman, members of the Board of Trustees, and the Citizens of the South Davis Sewer District:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified accountants. The South Davis Sewer District (District) hereby submits this Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017, in compliance with these requirements.

District management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The data presented is accurate in all material respects and in a manner designed to set forth clearly the results of operations of the District. This report fairly presents the financial position of the District and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Karren, Hendrix, Stagg, Allen, and Company, P.L.L.C., a firm of licensed, certified public accountants has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended, December 31, 2017, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended December 31, 2017, fairly represent conformity with GAAP. The first component of the financial section of this report beginning on page 34 is the independent auditor's report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A. Please read the transmittal letter in conjunction with the MD&A. The District's MD&A begins on page 36 immediately following the report of the independent auditors.

The CAFR consists of four main sections:

1. **Introductory Section**, which is unaudited, includes this transmittal letter and provides general information about the District's organizational structure, a list of the District's elected and appointed officials, and a history of District operations.
2. **Financial Section** includes the certified public accountant's report, Management's Discussion and Analysis, the basic financial statements, notes thereto; other required supplementary information, as well as a schedule of revenues and expenditures.
3. **Statistical Section** contains additional unaudited financial and general information presented on a multi-year basis.
4. **Compliance and Internal Control Section** includes the independent auditor's reports on internal control and State legal compliance.

Background

In the late 1950's, Bountiful City was the only area of South Davis County, consisting of Bountiful, Centerville, North Salt Lake, West Bountiful, Woods Cross, and the unincorporated areas south of Lund Lane, that was served by a sewer system. The treatment facility serving that system was at capacity and not capable of meeting proposed future discharge requirements. Local government leaders could see that on-site septic tank systems could not support this anticipated growth. The five cities and Davis County formed the District in 1959 to meet these area-wide needs for wastewater collection and treatment.

The District began construction of the North Plant at 1800 West 1200 North in West Bountiful in December 1960 and completed its construction in August 1962. The District began construction of the South Plant located at 1380 West Center Street in North Salt Lake in June 1961 and completed its construction in October 1962. The District constructed collection systems in Centerville, North Salt Lake, West Bountiful, and Woods Cross and trunk lines connecting all five collection systems in the District to the two treatment plants. The District owned and operated the collection system for all areas except for Bountiful City, which retained ownership of the existing lines in their city. On January 1, 2004, Bountiful City transferred ownership of their system to the District. The District's collection system now consists of 373.97 miles of sewer, 4 miles of force main and 8,650 manholes.

The District currently serves a total population of approximately 97,252 (U.S. Census Bureau). The 1990s plant expansion project designed the combined treatment plants to serve a population of 100,000 with a reasonable allowance for commercial and industrial users. Since the last Plant upgrades in the 1990s, per capita flows have decreased. The Plants are operating at approximately 75% capacity. At current per capita flows, plant design capacity might support a population of approximately 130,000 not considering new requirements for nutrient, nitrogen and phosphorus, removal. The South Plant is currently operating at capacity. For some time, the District has been accommodating growth by pumping excess flows to the North Plant from the 2600 South trunk line.

The District recently inventoried the remaining vacant land in the District along with its planned use and density. From this inventory, the District estimates the saturation population to be 108,698. This agrees closely with the Wasatch Front Regional Council's current estimate of the year 2040 population of 105,608. Build-out will almost certainly occur during the next 20 to 25-year design horizon for plant rehabilitation. A Wasatch Front Regional Council report states, "Davis County has the smallest land area of any county in the State and will be the first in the State to have to deal with countywide build out". We are, however, seeing very significant increases in density in new subdivision and apartment projects throughout the District.

The District has been using a population of 110,000 for planning and design purposes. This number will need to be increased by at least 10% to as much as 20% in the next facilities plan. Existing plant hydraulic capacity will still likely serve the District through build-out.

Compliance with the recent changes in discharge permit limits for phosphorus and nitrogen require significant upgrading of our treatment processes. It has been 23 years and 26 years since the South Plant and the North Plant respectively were rehabilitated. We have been waiting for the nutrient removal requirement issue to be better defined. Now that nutrient removal requirements have been adopted, the District is proceeding with plant upgrades and rehabilitation.

Over the last several years inquiries have been made by property owners and developers as to the District's ability and willingness to provide services outside the existing District boundary to the west of our South Plant in Salt Lake County. There are over 1,000 acres that might more economically sewer to the District rather than Salt Lake City. North Salt Lake City has been asked to consider annexing some of this area. The District does not have existing capacity to serve this area. New capacity would have to be built. This is complicated by the need to provide nutrient removal. How this capacity would be created, and its cost would require a significant engineering study to evaluate.

The District is empowered to levy a property tax on both real and personal property. It has the power of eminent domain and may extend its boundaries by annexation. The District has annexed all property within its natural limits of growth, except for small parcels are annexed by our member cities from time to time. The District annexes these subsequently annexes these parcels as well.

Governance

Davis County organized the District as an independent special district in response to petitions by the member cities of the District under Title 17, Part 6 of the Utah Code. All special district statutes were recodified during the 2008 Legislative Session. This statute is now Title 17B of the Utah Code. Under the new statute, the South Davis Sewer District is considered a "local district".

A seven-member Board of Trustees governs the District. S Each City within the District appoints one Board Member for a four-year term. The two remaining Board Members are elected from the District at large. These Board Members are elected in the municipal elections held in odd numbered years. Elected terms are also for four years. Board terms are staggered to provide continuity. The Board elects a chairman and vice-chairman from its members to serve two-year terms. A General Manager who serves at the pleasure of the Board directs day-to-day operations. The Board has three standing committees: auditing, personnel and engineering. The audit committee has the responsibility for the direction of the audit and consists of Ryan T. Westergard, Chairman, Howard G. Burningham and Mark W. Preece. The personnel and engineering committees review and recommend the annual budgets for their respective areas. The personnel committee consists of Howard G. Burningham, Chairman, Mark W. Preece and Randy C. Lewis. The engineering committee consists of John K. Davies, Chairman, Leonard K. Arave and Randy C. Lewis.

The Wasatch Resource Recovery project is a joint venture. This enterprise is governed by a six-member management committee. This District is represented on this committee by Leonard K. Arave, Ryan T. Westergard and John K. Davies. ALPRO SD, LLC, our joint venture partner, is represented by Bruce Alder, Eric Alder and L. Scott Rogers. Bruce C. Alder serves as Chairman.

The District is required to adopt a budget in December of each year. The approved budget must be submitted to the State Auditor by December 31. The tentative budget is submitted to the Board at the October Board meeting. The Board can adjust the current year's budget up to December of that budget year providing it is done with the appropriate notices and hearings. This annual budget serves as the basis for the District's financial planning and control.

Utah code requires annual training for Board Members. The Association of Special Districts represents districts at the Legislature and provides training for special district board members and management. On-line training is also available. All Board members comply with this training requirement.

Finance

Financial Guidelines

The Board of Trustees has adopted the following guidelines to ensure the financial strength of the District:

- Revenues should be sufficient to support current expenditures, including debt service and other obligations of the system.
- Debt should be used only for capital expansion and improvement of plant and not for current expenses.
- Contingency reserves should be maintained at levels sufficient to provide for unanticipated, non-recurring costs such as major equipment failures.
- Capital projects funded through the issuance of bonds should be financed for a period not to exceed the expected useful life of the project.
- Net revenues (gross revenue less O&M expenses) available for debt service should be generated at a level of 1.2 to 1.5 times the average annual debt service requirement.

- Net revenues that exceed operating expenses and debt service should be used for capital expenditures, restoration of contingency reserves of the wastewater system, and other wastewater purposes.
- Capital financing should be provided through debt financing, current revenues and contributions from developers, customers, and other governmental entities.
- Cost of service studies should be performed periodically and the relation of revenues to cost reviewed annually.

Reserves Policy

The District's reserve balances have been established by Board actions, bond covenants, and by informal historical procedures. The purpose of this policy is to strengthen the District's financial position, keep funds available to respond to emergencies, and accumulate funds to meet anticipated repair, replacement and improvements needs.

The basic goals for reserve balances are:

- Operating Capital-50 percent of one year's operations & maintenance budget.
- Self-Insurance Reserve-The District is self-insured for vehicle casualty and accepts responsibility for sewer backups on a no-fault basis. Fund balance set by Board action.
- Emergency Reserve-While the District is insured for many risk exposures and liabilities and can rely on FEMA aid for major disasters; it takes time for claims to be processed. This reserve provides funds to address emergencies immediately. Fund balance set by Board action.
- Equipment Replacement-Some major equipment is replaced on a scheduled basis. This reserve fund accumulates monies for this purpose. The target balance is based on budgeting for those purchases.
- Capital Projects-The District's operations involve large capital assets. These assets must be replaced at intervals. From time to time capacity needs and changing technologies must be addressed. This reserve fund accumulates funds for this purpose. The target balance is based on planning and forecasts for these needs.

These funds are accumulated and designated at the Board's sole discretion. Any of these funds can be used for any lawful purpose as directed by the Board.

This capital reserves policy shall be reviewed at a minimum of every five years.

Long Term Financial Planning

The District has a written Facilities Maintenance and Finance Plan. This plan is reviewed at five-year intervals. The existing condition of all District facilities is assessed. It also assesses the current and projected wastewater flows and strengths and reviews this information against the capacity of the collection system and treatment plants. It also evaluates known and anticipated discharge permit requirements. We then project future maintenance and capital improvement needs. The ability of existing and projected District reserves and revenues to support the anticipated financial needs is then assessed. If necessary, the District would then adjust impact fees, user fees, and tax assessments. This plan was most recently updated in its entirety in 2016.

Rates

The District has not raised user fees since 1988 when they were raised from \$2 to \$5 per month per residence and residential equivalent. Since 1988, the District's tax rate has decreased 72% from 0.000940 to 0.000264. The median house value is currently \$250,000 and would pay an annual tax of \$36.30 (at an assessed valuation of 55%). This is a total sewer user cost of \$8.03 per month. This is the lowest sewer rate in the State of Utah and ranks in the bottom 3% of sewer rates nationwide. This rate is less than one fourth of the Wasatch Front average sewer rate.

Bonding requirements for the nutrient removal project discussed later in the CAFR require debt service coverage of 125% of the annual debt service, operations and maintenance cost of the project. Then current District sewer rates were inadequate to meet this requirement and necessitated a rate increase.

The District retained Zions Capital Finance to perform a rate study. Despite having extremely low rates, the District has historically had a comfortable positive cash flow and made steady contributions to its reserves. Increasing responsibilities, facilities age and inflation have reduced our net operating revenues to a small margin.

The purpose of the study was to review rates relative to bonding requirements, expected capital improvement needs, increased operating and maintenance costs over time, and internal equity between different customer classes such as residential versus industrial customers. The study concluded that the rates needed to be raised from \$5 per month to \$10 per month.

At \$13.03 per month of the average home, this rate is still the absolute lowest in Utah. It is approximately one-third the Wasatch Front average sewer bill. When the new rate takes effect on 7/1/2018 it will have been 30-years to the day since the District's last rate increase.

This year and next year, as debt service requirements, new operating costs and new maintenance costs will be incurred. Sewer service fees, tipping fees, energy sales and algae sales are expected to cover these costs. The rate increase provides a \$2.5M margin above these revenues. This will allow the District to rebuild revenues in anticipation of anticipated future capital projects *Impact Fees*

In 2012, the District with the assistance of Zions Bank Public Finance completed a review of its impact fees in accordance with State Statute. The impact fee was increased from \$1,456 for a single-family residence to \$1,596. This impact fee represents the value of the infrastructure provided to a new home that has been built and financed by existing District users. Once the current round of plant rehabilitation projects is completed, it will be necessary to perform a new impact fee study.

Reserves

The District accumulates and maintains capital reserves. The following table shows District reserves and their allocation as of 12/31/2017:

Capital Reserves Allocation	Amount
<i>Operating Capital</i>	
Insurance reserve fund (auto, sewer backups)	\$ 150,000
Developer escrow funds	\$ 55,000
Wasatch Water Quality Council	\$ 444,000
Subtotal	\$ 2,649,000
<i>Treatment Plants</i>	
Emergency reserve	\$ 1,500,000
Available for Capital projects	\$ 9,600,000
Subtotal	\$ 11,100,000
<i>Collection System</i>	
Emergency reserve	\$ 1,500,000
Capital projects	\$ 3,000,000
Equipment replacement (jet washer & CCTV)	\$ 426,000
Subtotal	\$ 4,926,000
TOTAL	\$ 18,675,000

The District has committed significant reserves to fund the Wasatch Resource Recovery Project and the Advanced Biological Nutrient Removal Project. Capital Reserves Allocation as of 6/30/2018 is:

Capital Reserves Allocation	Amount
<i>Operations</i>	
Operating Capital	\$ 3,464,485
Insurance reserve fund (auto, sewer backups)	\$ 150,000
Developer escrow funds	\$ 55,000
Wasatch Water Quality Council	\$ 444,000
Subtotal	\$ 4,113,485
<i>Treatment Plants</i>	
Emergency reserve	\$ 1,000,000
Available for Capital projects	\$ -
Subtotal	\$ 1,000,000
<i>Collection System</i>	
Emergency reserve	\$ 1,000,000
Capital projects	\$ -
Subtotal	\$ 1,000,000
<i>Capital projects</i>	
<i>Wasatch Resource Recovery</i>	
Project Reserve	\$ 2,033,702
Operating Capital	\$ 458,527
<i>Advanced Biological Nutrient Removal</i>	
Debt service reserve	\$ -
Repair and replacement reserve	\$ -
Subtotal	\$ 2,492,229
TOTAL	\$ 8,605,714

Bonding

The construction of the Wasatch Resource Recovery (WRR) project discussed below is a Public Private Partnership. The District and ALPRO SD, our partner, share equally in all project expenses. Each partner made a \$2,000,000 cash equity contribution to the project. The debt financing for the balance of the projects costs is also shared equally.

To finance its portion of the project the District issued 20-year Revenue bonds in the amount of \$21,195,000. These Taxable Combined Utility System Revenue Bonds, Series 2017A were rated "A/Stable" by Standard and Poors. The All-Inclusive Cost (AIC) interest rate is 4.7079159%. The approximate annual debt service is \$1,650,000.

The District also sponsored "private purpose" Taxable Combined Utility System Revenue Bonds on ALPRO SD's behalf in the amount of \$26,775,000. The District is not liable for the debt service on these bonds.

Investments

Moreton Asset Management, LLC, is the District's investment advisor. Moreton assists the District in seeking investments that have a higher return than the Public Treasures Investment Fund (PTIF). Due to PTIF's limitation to very short-term investments, higher returns are possible if the District has funds that can be invested with a term of a year or more.

District reserves were held as follows:

Demand Accounts	\$396,387
Money Market Account	\$138,066
PTIF	\$7,714,569
Moreton	\$4,025,623
Cash & Cash Equivalents	\$12,274,500

Current Major Activities - Accounting

Comprehensive Annual Financial Report (CAFR)

The District has chosen to produce this CAFR in support of its required annual audit. The purpose of the CAFR is to assist the user in assessing the District's financial condition and performance. This CAFR is not required, but according to GASB Codification Sec. 2200.101, "every government entity should prepare and publish, as a matter of public record, a CAFR that encompasses all funds of the primary government." In addition to this transmittal letter the Management's Discussion and Analysis (MD&A) and the Notes to the Financial Statements contain useful detail about the Districts policies and activities.

Governmental Accounting Standards Board

GASB Mission

Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.

The Financial Accounting Foundation (FAF) supports and oversees the GASB. Established in 1972, the FAF is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut responsible for the oversight, administration, financing, and appointment of the GASB and the Financial Accounting Standards Board (FASB).

The collective mission of the GASB, the FASB, and the FAF is to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards.

The GASB, the FASB, the FAF Trustees, and the FAF management contribute to the collective mission according to each one's specific role:

- The GASB and the FASB are charged with setting the highest-quality standards through a process that is robust, comprehensive, and inclusive.
- The FAF management is responsible for providing strategic counsel and services that support the work of the standard-setting Boards.
- The FAF Trustees are responsible for providing oversight and promoting an independent and effective standard-setting process.

More information can be found in the Strategic Plan, at www.accountingfoundation.org/strategicplan.

New GASB Pronouncements:

GASBS No.78 Pensions Provided through Certain Multiple – Employer Defined Benefit Pension Plans: This statement is effective for reporting periods beginning after December 15,2015
The District has implemented this standard with no significant impact on the financial statements.

GASBS No. 79 Certain External Investment Pools and Pool Participants: This statement is effective for reporting periods beginning after December 15, 2015. The District has implemented this standard with no impact on the financial statements.

GASBS No. 80 Blending Requirements for Certain Component Units: This statement is effective for reporting periods beginning after June 15, 2016. The District has implemented this standard with no impact on the financial statements.

GASBS No. 81 Irrevocable Split-Interest Agreements: This statement is effective for reporting periods beginning after June 15, 2016. The District has implemented this standard with no impact on the financial statements.

GASBS No. 82 Pension Issues – Amendment of GASBS No. 67, No. 68, and No. 73: This statement is effective for reporting periods beginning after June 15, 2016. The District has implemented this standard thru Utah Retirement Systems.

GASBS No. 83 Certain Asset Retirement Obligations: This statement is effective for periods beginning after June 15, 2018. The District has not implemented this standard yet

GASBS No. 84 Fiduciary Activities: This statement is effective for periods beginning after December 15, 2018. The District has not implemented this standard yet

GASBS No. 85 Accounting Applications: This statement is effective for periods beginning after December 15, 2017. The District has not determined its effect on the financial statements.

GASBS No. 86 Certain Debt Extinguishment Issues: This statement is effective for reporting periods beginning after June 15,2017. The District has not determined its effect on the financial statements.

GASBS No. 87 Leases: This statement is effective periods beginning after December 15, 2019. The District has not determined its effect on the financial statements.

Local Economy

Construction & Development

Increased wastewater flows from residential, commercial, and industrial developments affect collection system and treatment plant capacity, operations and maintenance costs, and revenues. There is also a significant workload from site plan reviews, construction inspections, CCTV inspections, and cleaning of completed projects. Therefore, development activities are closely followed.

The District again saw a significant drop in the number and value of residential units, which decreased 32.5% and 24.4% respectively from 2016 to 2017. This continues a trend from the previous three years where the number and value of residential construction decreased significantly. The decreases in the last three years are probably more of a reflection on the decreasing space available for development rather than influences from the overall economy.

The District is seeing more, large apartment projects than in the past. In addition, there are numerous projects where older single-family residences and lots are converted to duplexes,

fourplexes and other multi-family housing. These increases in housing density could affect planning for the collection system and treatment plants.

The following table* summarizes construction activity in the District for 2017:

City	New Dwelling Units		New Residential Value		New Nonresidential Value	
	2017 Units	% change 2016-17	2017 \$1,000	% change 2016-17	2017 \$1,000	% change 2016-17
Bountiful	51	50.0%	\$ 13,995	13.6%	\$ 7,703	-53.1%
Centerville	34	-72.8%	\$ 8,924	-57.6%	\$ 5,138	206.1%
North Salt Lake	144	102.8%	\$ 29,793	60.6%	\$ 12,632	-6.9%
West Bountiful	31	210.0%	\$ 7,784	234.8%	\$ 1,734	271.8%
Woods Cross	2	-50.0%	\$ 428	-29.2%	\$ 7,702	-53.4%
Totals	262	-32.5%	\$ 60,924	-24.4%	\$ 34,909	-566.2%

City	Additions & Repairs					
	Residential 2017		Nonresidential 2017		Total Construction Value 2017	
	\$1,000	% change	\$1,000	% change	\$1,000	% change
Bountiful	\$ 4,037	54.4%	\$ 2,632	-88.6%	\$ 28,368	-47.9%
Centerville	\$ 564	-47.0%	\$ 1,134	-55.4%	\$ 15,762	-40.2%
North Salt Lake	\$ 730	-48.9%	\$ 776	-91.7%	\$ 43,932	2.4%
West Bountiful	\$ 386	262.8%	\$ 402	-13.3%	\$ 10,308	206.6%
Woods Cross	\$ 816	43.1%	\$ 3,250	-23.2%	\$ 12,198	-46.5%
Totals	\$ 6,533	-15.8%	\$ 8,194	-55.6%	\$ 110,568	-67.0%

*Kem C. Gardner Policy Institute

Total nonresidential construction in the District declined by 566% from 2016 to 2017. This follows steady and significant decreases in the years since 2008. The years 2008 through 2012 were certainly a reflection of the overall economic slowdown. Current decreases are likely due to the very limited amount of undeveloped industrial property remaining in the District. Nonresidential construction does not significantly affect District revenue or operations.

Employment

Since 2010, Utah's job growth has remained well above the U.S. average. The average growth rate from 2011 through 2016 has been a little over 3.0%. Utah's job growth was 3.5% in 2017. In May of this year, Utah's private sector employment grew by 3.9% year-over with the addition of 47,900 positions. The unemployment rate for Utah was 3.0% in May.

The Natural Resources & Mining and Information sectors posted net employment losses. These sectors do not directly affect South Davis County. "Nine of the 10 private sector industry groups measured in the establishment survey posted net job increases in May, while Natural Resources and Mining lost 300 jobs year-over. The largest private sector employment increases were in Trade, Transportation, and Utilities (12,400 jobs); Professional and Business Services (9,100 jobs); and Construction (,400 jobs). The fastest employment growth occurred in Construction (.6%); Trade, Transportation, and Utilities (4.5%); and Professional and Business Services (4.4%)."(Department of Workforce Services)

Unemployment levels are expected to remain low for 2018. Most industries will face a tight labor market. In-migration and a full educational pipeline will help to mitigate any labor shortages. Labor force participation for Utah has averaged 69.4% for the last 35 years, immediately before the recession it was 72%. During the recession labor force participation dropped to a low of 67.2%. Utah has the fifth highest labor participation rate in the nation.

Utah's personal income increased by 4.4% in 2017 to an estimated \$130.4 billion. Utah's average annual income grew 2.5% to reach \$42,043 in 2017 according to the U.S. Department of Commerce, Bureau of Economic Analysis.

Current Economic Conditions

Impact fees for 2015 were \$4,573,785. This unusually large amount was due to a \$3,700,000 impact fee for expansion at the Holly refinery. The balance of the 2015 impact fee of \$873,785 is nearly the same as that for 2014. Impact fees were \$592,321 in 2016. This was a decrease of 32% (adjusted for the large Holly impact fee in 2015). Impact fees were \$591,469 in 2017. We expect impact fees in 2018 to be very close to \$600,000. Annual impact fees should continue to decline. This reflects the availability of land for development. See RSI Section for more details.

The number of large apartment complexes has been an important factor in the level of impact fees collected in recent years. Apartments continued to be an important factor in 2016-17. If the trend in the construction of large apartment complexes and other high-density projects continues, we will need to monitor treatment plant capacity. We may also have to monitor sewer trunkline capacities in specific areas.

Current Major Activities – Human Resources

Staffing

The District has a full-time staff of 27 an increase of two from 2016 (See Schedule 25 in the Statistical Section for more details).

In 2017 the District's long time Operations Superintendent, Mr. Eddie Marsing retired. Assistant Superintendent, Eric Nemcek was promoted to Superintendent. During the year, the District added two treatment plant operators,

Retirement Benefits

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Non-Contributory Retirement System cost-sharing defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the Utah State Legislature.

Retirement benefits for District employees who began employment prior to July 1, 2011 are "Tier 1" employees. "Tier 2" employees are those who begin initial employment on or after July 1, 2011. Retirement benefits for these employees are significantly reduced.

Contribution rates are set on July 1st of each year. Tier 1 contribution rates for fiscal year 2017 were 20.46% for the contributory system and 18.47% for the non-contributory system. Contribution rates for Tier 2 employees for fiscal year 2017 were 16.69%. Currently all contributions are funded by the District. Additional information is contained in the Notes to the Financial Statements.

The District does not provide any other post employment benefits.

Medical Insurance

Perhaps because of the nature of our work we are particularly sensitive to health issues. The District provides medical, dental, and vision insurance. The District covers the entire premium for the employees and their families. The District, like all employers, is concerned by the tremendous inflation in medical and insurance costs. We periodically request underwritten proposals from all Utah Health Insurance carriers. This was done for 2015. The Utah Public Employees Health Plan, which is a part of the Utah Retirement Systems, was very competitive with the commercial market and was

again selected to be our insurer. By dropping a tier in coverage and reducing the number of providers available in the system, we were able to reduce our renewal premium significantly.

The District offers a high deductible health plan (HDHP) as well as a traditional deductible plan. In the HDHP plan, a high deductible is combined with a Health Savings Account (HSA). Funds are contributed to the HSA before taxes. Contributions can be made by both the employer and the employee. If funds in the account are used for qualifying medical expenses, they are not taxed. Savings from the reduced premiums of HDHPs allows the District to fund the maximum allowable annual contribution to the HSA. The District has offered the high deductible option to employees since 2012. Most District employees have chosen the high deductible program. Some employee's personal circumstances do not permit participation in a HDHP.

The high deductible health plan gives the employee an incentive to shop and otherwise manage medical utilization. It also removes a significant portion of the cash flow for medical transactions from insurance company rules and overhead. The resulting savings and benefits to employees are very significant.

While the District does provide support for participating in exercise programs, we should do more to promote weight loss programs and other healthy lifestyle activities. Numerous studies show that such programs can improve productivity, reduce medical insurance costs, reduce workplace injuries and reduce sick leave utilization.

The District or its health insurance covers all immunizations. Employees are urged to maintain all common immunizations such as flu, MMR, and tetanus. Employees are encouraged to have immunizations for any disease such as hepatitis that concerns them. In addition to concerns about contacting communicable diseases at work, it is felt that because of the essential service nature of wastewater treatment it is important that as many employees and their family members as possible remain healthy in an emergency so that employees are available to maintain and operate the treatment plants and the collection system.

The District had its first retiree in many years in 2016. A replacement was hired and trained in advance of this retirement. There will be several retirements over the next several years and finding qualified and motivated replacements is likely to be a problem. One of the key elements in the District's success is the quality of its workforce. The District's compensation is competitive, but we will make a concerted effort to locate and recruit suitable replacements. Salary budgets will be higher in the near term as we hire replacements early enough to be adequately trained before existing employees retire.

Current Major Activities - Regulatory Issues

Technology-Based Nutrient Limits

In 2014, the Utah Division of Water quality (DWQ) promulgated a technology-based rule for nutrient removal, which would require all treatment plants to reduce nutrients in their effluents to 1 mg/l of phosphorus within five years. It was anticipated that there would then be a limit of 10 mg/l of total inorganic nitrogen required within 10 years. This rule is independent of any limit determined by a Total Maximum Daily Load (TMDL) or other water quality-based limit process such as a site-specific evaluation. These new requirements are having significant impacts on planning for both capital and operational costs.

The Publicly Owned Treatment Works (POTW) were supportive of this initiative, if for no other reason than to be able to proceed with overdue and needed planning and construction of treatment plant upgrades and expansion. Treatment plant designs and construction are intended to provide for 20+ years of service. At that time, the condition and performance of the existing facilities are reviewed along with population and wastewater flow projections and regulatory requirements to determine rehabilitation and expansion needs for the next 20+ years. The District's two plants were last rehabilitated and expanded in the early 90s. Having the nutrient issue settled for at least 10 years

has allowed the District to proceed with much needed planning for treatment plant rehabilitation and upgrades.

Emerging Constituents of Concern

The presence of pharmaceuticals in the surface waters is an emerging concern for environmentalists, regulators and the wastewater industry. Most medications are incompletely utilized in the body and traces end up in sewage. Outdated medications are often flushed down the toilet. These residues are not completely removed by conventional wastewater treatment. This practice has been happening as long as there have been medications and sewers. However, the effects of these very low numbers (parts per billion or trillion) have not been widely studied.

The District is urging residents to follow new Federal, prescription drug, disposal guidelines. These guidelines urge Americans to:

- Take unused, unneeded, or expired prescription drugs out of their original containers.
- Mix the prescription drugs with an undesirable substance, like used coffee grounds or kitty litter, and put them in impermeable, non-descript containers, such as empty cans or sealable bags, further ensuring that the drugs are not diverted or accidentally ingested by children or pets.
- Throw these containers in the trash.
- Flush prescription drugs down the toilet only if the accompanying patient information specifically instructs it is safe to do so. This is very unlikely to be the case.
- Return unused, unneeded, or expired prescription drugs to pharmaceutical take-back locations that allow the public to bring unused drugs to a central location for safe disposal – Centerville City, Bountiful City, and West Bountiful City have disposal facilities at their respective police stations.

The District's existing trickling filter plants are not capable of treating these constituents to the low levels being discussed. If the District must treat any of these constituents, extensive treatment plant modifications would be required. Treatment processes are being developed that can be added to the existing treatment plants.

Utah Point Discharge Elimination System (UPDES) Permit Renewal

The UPDES Permit for the North Plant and the South Plant expired on January 31, 2015. Application for permit renewal was made in a timely manner. Since that time, the District has been working with the DWQ Staff to complete the renewal process. Several nutrient related issues have made this a long and difficult process.

New UPDES Permits were issued for both plants, effective March 1, 2017. Lower limits for ammonia were set at both plants. These limits will require additional treatment to achieve consistently. Limits for flow were implemented. The flow limits are the design capacities of the plants. A requirement to study the presence or absence of *early life stages* of fish during the spring and fall in the State Canal were incorporated in the North Plant permit.

As mentioned above there is a new technology-based permit limit for phosphorus that must be complied with by 2020. Both nitrogen and phosphorus removal are addressed by the nutrient removal process discussed below.

The District has been following a policy of minimizing treatment plant upgrades and improvements until the outcome of these issues becomes clearer. These new permit limits allowed the District to proceed with planning for needed rehabilitation and upgrades at both plants.

The Wasatch Front Water Quality Council

The District has joined nine other POTWs discharging to Utah Lake, the Jordan River and/or Farmington Bay of the Great Salt Lake in an interlocal agreement. In this agreement, these POTWs commit to an organized approach to the many issues arising out of water quality concerns surrounding these water bodies. The group provides ongoing funding to hire a fulltime, PhD level scientist to assist the group in understanding and responding to the many technical issues and to direct research contracts.

The Water Quality Council requested the District to act as their agent. The District collects and accounts for all funds contributed to the Group. The District hires and pays all the Group's employees. We also take care of logistics issues such as procuring equipment, materials, transportation, etc. We will provide day-to-day supervision of employees as needed. Other members of the group provide in-kind laboratory services, sponsor additional research projects, and other in-kind assistance.

Treatment Plants – Compliance

The primary duty of the District is compliance with its Utah Pollutant Discharge Elimination System (UPDES) permit. Currently the permits for both plants contain permit limits for biochemical oxygen demand, total suspended solids, ammonia, dissolved oxygen, oil and grease, *E. coli*, pH, percent removal, and total residual chlorine. The plants must also routinely conduct and pass Whole Effluent Toxicity testing. This is a biological test involving very sensitive sentinel species to detect any toxicity in the treatment plant effluent.

Violation of these permit limits can result in fines of up to \$25,000 per day per constituent. Because of the complexity and variability of wastewater and the biological nature of our treatment plant processes permit violations are inevitable. Permit violations are taken extremely seriously and aggressive remedial actions are always taken.

North Plant

In January and February, the North Plant exceeded its permit limit for ammonia. This followed ammonia exceedences in November and December of 2016. These exceedences put the North Plant in Significant Non-Compliance for the six-month period. The Utah Division of Water Quality and the District executed a Stipulated Compliance Order of November 1, 2017. The District paid a fine of \$1,982.00 and is funding a remediation project in the amount of \$15,000.00. The rapid increase of ammonia in the effluent would indicate toxicity of some kind. We were unable to identify any source of toxicity. The Plant had returned to normal by March.

In November and December, the North Plant again exceeded its maximum weekly average for ammonia. Effluent ammonia increased abruptly on November 1st and remained high for most of the month. The sudden increase would indicate that toxicity had affected our nitrifying bacteria. We reseeded our process with commercial bacteria and added some micro-nutrients to support their growth and reproduction. By the end of November, we were seeing improvement.

There were no biomonitoring exceedences.

DWQ performs on-site detailed audits of plant maintenance, the industrial pretreatment program, and biosolids disposal each year. All audits were routine with only minor, if any, deficiencies noted.

South Plant

In January the South Plant reported an exceedence of its *E. coli* permit limit. There was probably not actually an exceedence. The problem was laboratory error by a new employee.

In May the South Plant slightly exceeded its ammonia limit. The Plant was experiencing very high flows which may have washed out our nitrifying bacteria. Upon examining the collection system, we found a diversion point which would normally send up to 2.0 million gallons per day to the North Plant was instead sending that flow to the South Plant. This was corrected. The high flows also affected

the Total Residual Chlorine in the plant effluent. We increased the addition of sodium bisulfite to compensate.

In August required influent/effluent samples for nitrogen and phosphorus were not taken. An extensive sampling program to support the calculation of a nutrient balance across the Plant was being done and the DMR sample was overlooked.

There were no biomonitoring exceedences.

DWQ performs on-site detailed audits of plant maintenance, the industrial pretreatment program, and biosolids treatment and disposal each year. All audits were routine with only minor deficiencies noted.

Current Major Activities - Treatment Plants

Resource Recovery

Recently the Water Environment Federation, the professional association for the wastewater industry, determined to rebrand wastewater treatment plants as resource recovery facilities. This has been done to encourage a change in the thinking about the role of these facilities in the economy and the environment. Wastewater and its constituents are not a pollutant to be gotten rid of, but resources to be recovered and reused.

The organic matter removed from the wastewater is not a sludge to be gotten rid of in the least objectionable manner, but a source of renewable energy. Compost from biosolids and green waste has long been a valuable community resource. Technologies for recovering phosphorus and nitrogen in a useable form for agriculture have been developed. For many years, significant volumes of reclaimed wastewater have been beneficially used for agricultural and industrial purposes. The first direct reuse of reclaimed wastewater as a raw water supply for a drinking water plant went online in Big Spring, Texas in 2014.

Food waste is the largest waste stream in the United States and it is the least recycled. 97% of all food waste is land filled. Food waste occupies from 15 to 30% of all landfill space where it becomes anaerobic and generates enormous quantities of the greenhouse gasses methane and carbon dioxide. Food Waste is a tremendous opportunity to recover energy, plant nutrients and organic carbon.

Several major resource recovery facilities in the U.S. have become net energy exporters in addition to providing all their own energy requirements. This has been achieved by:

- Increased capture of raw biosolids before any aerobic treatment of the wastewater
- Pretreatment of biosolids to enhance digestibility
- Advanced digestion technologies such as phased digestion
- Import organic material such as Fats, Oil, and Grease (FOG) from grease traps
- Advanced gas-scrubbing technologies to increase utilization options
- Utilization of digester gas (methane) to generate power
- Sale of methane as renewable natural in the natural gas utility grid
- Public/Private Partnerships to provide technical and business expertise as well as capital

Wasatch Resource Recovery

Beginning in 2015 the District began to explore the potential for a food waste to energy project. The District collaborated with ALPRO, a Utah company founded to develop resource recovery projects. An initial feasibility study was performed which found that a project to produce energy from imported organic wastes was sufficiently promising to pursue further. Research, preliminary design and development of each element needed to implement the project and further assess its feasibility were undertaken.

When the District was formed in 1959, treating solid waste was not an issue and the sewer districts were not given this authority. To secure this authority State Senator Todd Weiler and State Representative Becky Edwards sponsored legislation that grants authority to sewer districts to handle solid waste, specifically organic waste. In addition, the legislation makes clear the South Davis Sewer Districts' ability to enter into a public private partnership to accomplish the project.

ALPRO identified enough sources of organic waste that are highly likely to divert their waste to the Resource Recovery Project once it is operational to make the project feasible. The major sources of organic waste for the project are:

- Food processing waste
- Source Separated Organics (SSOs) from grocery stores, restaurants, schools, etc.
- Fats, oil and grease from grease trap pumping
- Bottled beverages from bottling companies
- Aerobic biosolids from wastewater treatment plants

These organic wastes will be extensively pretreated and then anaerobically digested. The methane gas produced by digestion will be scrubbed of impurities and injected into the natural gas utility system. The project will produce 3,000,000 cubic feet of renewable natural gas (RNG) per day. This is enough to supply natural gas for a population of 40,000, a city the size of Bountiful.

ALPRO developed contracts with Dominion Energy and British Petroleum for the transport and sale of the RNG produced by the project. WRR has contracts with Dominion Energy to transport the RNG and a 12-year purchase agreement with British Petroleum of the sale of its RNG.

On March 6, 2017 the District entered into a Public Private Partnership with ALPRO to execute the project. This is a 50/50 equity partnership with each entity equally responsible for equity contributions, debt financing, operational costs and maintenance costs. ALPRO is responsible for the outside-the-fence operations of feedstock procurement, customer service, permits, biosolids marketing and delivery and energy sales. The District is responsible for the operation and maintenance of the waste receiving, anaerobic digestion, RNG scrubbing and solids processing facilities. The project is expected produce a significant net revenue for the District.

A ground-breaking ceremony was held on June 15, 2017. Governor Gary R. Herbert was the keynote speaker. Dr. Laura Nelson the Director of the Utah Office of Energy Development, Alan Matheson, Executive Director of the Utah Department of Environmental Quality and Bruce C. Alder, President of Alder Construction also spoke.

The total contract amount of the project is \$42,712,014.00. We have had change orders in the amount of \$1,035,860.35 We expect another \$500,000.00 in change orders to complete the project. This is a total of 3.6% which is average for a project of this complexity.

Nutrient Removal Project

In researching technologies to meet discharge permit nutrient removal requirements, the District sought an economical way to meet present and future nutrient limits. The District encountered the technology vendor, Clearas Water Recovery (CWR). CWR has pioneered a new technology using microalgae to remove nitrogen and phosphorus from secondary effluent. On-site pilot testing of this Advanced Biological Nutrient Removal (ABNR) process at six Wasatch Front POTWs demonstrated that the process consistently reduced phosphorus levels to below 0.1 mg/l and ammonia levels well below 10 mg/l. Extensive pilot testing at numerous locations throughout the U.S. has demonstrated the capability and reliability of the technology.

The District is constructing the first full-scale implementation of the ABNR technology at its South Plant. This will be the first full-scale algae based nutrient removal project in the United States.

As it removes nutrients from the wastewater, the process produces significant quantities of algae biomass. Algae biomass is a valuable and sought-after material for numerous uses including soil amendment, fertilizer, animal feed and as a feedstock to produce plastics, solvents and other industrial chemicals. Revenue from the algae produced is expected to cover capital, operation and maintenance costs.

Discussions were initiated with the Utah Division of Water Quality about the feasibility of utilizing this technology for nutrient removal to meet water quality needs in the State. A simple, economical method of nutrient removal would benefit numerous Utah municipal wastewater treatment facilities. Currently, at least six other treatment plants in Utah are waiting to see if the project is successful before proceeding with this or other options. Because of the potential benefit to the District and other facilities and because of the risk of being the first to implement this technology at full-scale, the Utah Water Quality Board awarded the District bond financing in the amount of \$28,851,000.00 at an interest rate of 1.5% to construct the project. The Utah Water Quality Board allowed the District to include funding for the rehabilitation of the South Plant in this loan.

The engineering, procurement and construction of the nutrient removal project is being done under a Construction Management/General Contractor (CM/GC) arrangement. The District has continued with Aqua Engineering as the project engineer. Through a request for proposals solicitation the District selected Alder Construction as the contractor. In addition, CWR has been an integral part of the CM/GC team.

A Guaranteed Maximum Price (GMP) for the purchase of the Advanced Biological Nutrient Removal (ABNR) technology of \$18,296,000.00 was agreed to by the District and CWR on April 9, 2018. A GMP for equipment and materials outside of the CWR scope-of-supply and for the construction of the ABNR Project of \$11,255,019.00 and for the Rehabilitation of the South Plant of \$3,626,623.00 was agreed to by the District and Alder Construction on March 15, 2018. Total estimated cost of the ABNR and South Plant projects including engineering, procurement, construction and contingency is \$36,495,406.00.

During July thru December of 2017 The District held the necessary public notification and public hearing process to authorize the Bonds to be sold to the Utah State Revolving Loan Fund (SRF). A direct mailing to all customer accounts in the District notified rate payers of the need for the project and the necessity of issuing the SRF bonds. Comments by telephone, email and at the public hearing included several questions about the project and impacts it might have on various users. No one objected to the project or bonding for its costs.

Because of the urgency of the project, the lengthy bonding process and the rigorous design and construction permit review process with the Division of Water Quality, the District has been using its equity contribution portion of the project funding to build a pilot plant and to begin procurement of long lead-time items.

The pilot plant is needed to validate the algae to be produced by the project as a merchantable product. Potential buyers are interested first in quality. Are there any heavy metals, volatile organic or other contamination? Second, they are interested in the character of the algae. Algae like any agricultural product is primarily made up of carbohydrates, proteins and fats. Its value to a buyer is determined by these constituents. Algae must be produced, tested and shipped to potential buyers for this validation process. The process can easily take six-months. The District wanted to have this process completed before the full-scale project was in place, so that its algae production could be sold immediately.

The pilot plant has been operational and producing algae for eight-months. The District's algae has proven to be of very high quality. The District has a 3-year contract in place with a buyer who will purchase all that we can produce. The algae will be used to produce a polymer product to produce foam athletic shoe insoles.

Because this is the first full-scale installation of this technology, it was anticipated that there would be scale-up problems to be solved. The pilot plant is proving invaluable in finding problems and evaluating solutions.

Several long-lead time items have needed funding to begin production. These items are unique to the ABNR project. The 100-millimeter (3.9-inch) diameter glass pipe for the photo bioreactor is produced by a single company, Schott AG of Germany. Schott produces a large variety of technical glass and ceramic products and it was important to get into their production schedule. The PVC 180° bends are a specialty item which require custom injection molding. The rubber couplings between sections of pipe and between the pipe and bends are also require custom molds. Custom LED lights and housings are required. The District has funded the initial engineering, shop drawing, custom molds and in some cases production of these and other items. The District has used \$8,193,048.41 of its cash equity contribution to the project to fund these efforts.

North Plant

The most significant activity at the North Plant was completion of an arc flash evaluation of all electrical gear and panels in the plant. All required and recommend actions were taken. These included labeling all panels with arc flash criteria, marking out safety zones and correcting any encroachments on electrical panels such as water lines placed too close to a panel.

The same review evaluated the condition of the electrical panels themselves and particularly all electrical breakers. The panels are generally in very good condition, but the breakers were near their service life. After an economic evaluation of load testing vs. replacing all breakers it was determined that all breakers should be replaced. This was done without incident. Much of this work was done at night during low flows so loads could be shut down while the breakers were replaced.

This plant is generally in a clean, orderly, and workmanlike condition. There is no deferred maintenance, which would adversely affect permit compliance or the life of significant plant assets.

South Plant

Aqua Engineering, the District Engineer and staff completed an engineering assessment of all South Plant assets and processes. Based on the condition of each asset options were developed and evaluated for extending the life of that asset into the next 20-year planning horizon or replacing it. Engineering drawings and specifications were developed to implement the chosen alternative for each asset. These drawings and specifications were included in the package for determining the CM/GC Guaranteed Maximum Price. As part of the CM/GC agreement, the District will be able to choose which projects to accomplish with its own forces and which projects should be executed by the CM/GC. The Budget for this work is \$3,989,285.00 and funding is included in the SRF loan.

The ABNR project and the WRR project will occupy the site of the biosolids drying beds. To allow for this the District procured a belt, filter press used for dewatering biosolids. District forces installed this equipment with all necessary pumps, piping, wiring and appurtenances. A local contractor erected a small, steel building to house this equipment. This was done out of current operating and maintenance funds.

An arc flash evaluation of all electrical gear and panels was also completed at the South Plant. All required and recommend actions were taken. These included labeling all panels with arc flash criteria, marking out safety zones and correcting any encroachments on electrical panels such as water lines placed too close to a panel.

The same review evaluated the condition of the electrical panels themselves and particularly all electrical breakers. The panels are generally in very good condition, but the breakers were near their service life. After an economic evaluation of load testing vs. replacing all breakers it was determined that all breakers should be replaced. This work will be done by District forces during 2018.

This plant is generally in a clean, orderly, and workmanlike condition. There is no deferred maintenance, which would adversely affect permit compliance or the life of significant plant assets.

Biosolids

The treatment and ultimate utilization of biosolids generated during the wastewater treatment process is a significant part of treatment plant operations. Regulations pertaining to biosolids are detailed and demanding. Compliance with regulations and maintaining viable biosolids handling options is necessarily a high priority for the District.

The South Davis Sewer District is committed to following the principles of conduct set forth in the National Biosolids Code of Good Practice. It is the policy of the District to promote and practice the beneficial use of biosolids and the reuse/recycling of resources. The District will strive to maintain, improve, and protect the environment during the production and treatment of biosolids. The District will make every effort to ensure that the public is not endangered or inconvenienced by the production and treatment of biosolids. The District will obey all applicable federal, state, county and local laws, rules and regulations.

Long-term biosolids options continue to be a concern for all POTWs in the area. Historically, the District has beneficially used its biosolids as a soil amendment in local agricultural operations. Several thousand acres in the District were recently dedicated to the creation of the Legacy Parkway and its associated Legacy Nature Preserve. Land adjacent to the Parkway and to the District's two treatment plants increased enormously in value and has essentially been completely developed, largely eliminating the area available to the District for the beneficial reuse of biosolids.

The Resource Recovery Project will generate more than 25,000 dry tons of biosolids per year. The South Plant produces 300 dry tons per year. The volume of biosolids to be utilized presents challenges, but also creates opportunities. We are working on a contract with a corporate farm to utilize all biosolids produced by the Resource Recovery Project and the District's treatment plants.

Current Major Activities - Collection System

The collection system is in all respects in clean, orderly, and workmanlike condition. The Collection System Operations Facility and collection system mobile equipment is likewise in workmanlike condition. The District maintains an on-going list of needed repairs and improvements. There is no deferred maintenance, which would adversely affect permit compliance or the life of these assets.

Major Activities - Future

Accounting

The District has purchased a full accounting software package from Black Mountain Software. We have begun configuring and populating this software to support the WRR project. The District will have to have an accounting system in place by the end of 2018 to track all WRR costs for labor, equipment, parts, materials, power, chemicals etc. The accounting workload for these operations and maintenance costs for 8 to 12 new employees will be significant. The bond documents require formal accounting and auditing manuals.

Collection System

Most of the District's trunklines (lines over 8-inches in diameter) are constructed of reinforced concrete pipe (RCP). RCP is a robust and reliable product for sewers. It is, however, subject to corrosive attack from bacteria and chemicals under certain conditions. Historically, if RCP needed to be replaced the only alternative was to excavate and install new pipe. A process called Cured-In-Place-Pipe (CIPP) has become a technically and economically superior option.

In this process, a tube of polyester felt and/or fiberglass is saturated with epoxy or vinyl ester resins and inserted into the existing pipe. It is inflated with air or water pressure and then cured using hot water or steam. The resulting composite pipe is structurally independent of the original pipe and

provides both a very smooth and corrosion resistant product. This process involves less interference with traffic and other activities, is accomplished in a fraction of the time, and is far less expensive than traditional cut-and-cover methods.

Over the last 15 years, the District has installed over 40,000 linear feet of CIPP from 8-inches diameter through 27-inches diameter. As part of an ongoing program to maintain the life and serviceability of its sewers, in 2016 the District budgeted \$100,000 for lining projects. In 2017 the District lined the 12-inch sewer along 1100 West from 1700 South to 500 South, along with some smaller projects.

The District has its own equipment for lining 4-inch diameter laterals. We line approximately 50 laterals per year, saving the District and homeowners many thousands of dollars. This year we added the necessary equipment to line the joint between the main and the lateral. This is the last link in being able to address all inflow, root and other problems encountered with laterals.

Treatment Plants

We continue to see some significant increases in operating expenses particularly chemical costs, repair costs and replacement parts costs. We have redoubled our efforts to improve efficiency in these areas. For example, we have done energy audits and installed lighting that is more efficient. We have shortened replacement intervals for pump impellers to maintain higher pumping efficiency. We have increased our efforts to procure these resources as economically as possible. We continue to aggressively search for alternate suppliers for original equipment manufacturer parts and to fabricate parts ourselves or have them fabricated locally.

Both Plants are beyond the 20-year design life of the current rehabilitation/expansion cycle. The District has completed an update of its facilities plan for both plants. This involves a detailed inventory and condition assessment of all plant structures, equipment, systems, and appurtenances. Plant performance is being reviewed and assessed. Demographics have been updated and wastewater flow and strength projections prepared. Plans to update and expand the plants are being integrated with the planning for the Resource Recovery and Nutrient Recovery Projects.

Safety

District facilities are periodically assessed to identify potential safety hazards. The purpose of these evaluations is to provide the information necessary to improve the working environment and reduce the potential for injuries. The following table and chart summarize recent District accidents:

Year	Collection System	Treatment Plants	Water Quality Group	Office	Annual Total
2009	wrist/hand				2
2010		foot	finger	foot	3
2011	hip & shoulder				1
2012	knee				1
2013	leg	foot			2
2014		eye			1
2015					0
2016		Laceration & bruise			1
2017		finger & arm	Foot		3
Total	5	6	2	1	14

The implementation process involves working with all District personnel to ensure that everyone understands their role within the program. Those personnel affected by a given regulation or program must be trained on proper, safe work practices through regularly scheduled training sessions. They also get hands-on instruction and advice whenever necessary.

The program creates a base from which a safety culture can thrive. As employees develop an attitude of working with safety in mind, accident risk goes down, and, as a result, there are fewer on the job incidents. Lower accident rates reduce insurance and workers compensation rates.

U.S. Environmental Protection Agency (EPA) Operating Grant

EPA has a groundwater remediation project removing a plume of perchlorethylene (PCE), a dry-cleaning solvent. This plume is located between 1100 West and Redwood Road and between 500 South and 400 North in West Bountiful. The District was awarded a grant to operate this facility for 10 years. The District's proposal was approximately half the amount that EPA had budgeted. Our six-years of operating OU2 have been successful and well within budget.

Risk Management

For 2018 and 2019 the District's General Liability, Wrongful Acts and Professional Liability insurance is provided by the Philadelphia Indemnity Insurance Company (A++ XV). Travelers Casualty and Surety Company of America (A++ XV) provides Directors and Officers Liability and Employment Practices Liability Insurance Worker's Compensation insurance for 2017 and 2018 is being provided by Utah Workmen's Compensation Fund. The District's experience modifier is 0.66, a reflection of the District's good claims history. The District is self-insured for unemployment. The District is also self-insured for vehicle casualty except for our very expensive collection system cleaning trucks and closed-circuit television units, which are insured for casualty.

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Davis Sewer District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. This was the nineteenth consecutive year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

John E. Petersen, the finance columnist for *Governing* magazine, stated in the April 2000 issue, "The Certificate of Achievement Award [is] the real standard-setter in the realm of professional accomplishment."

A CAFR is not required by the Governmental Accounting Standards Board (GASB), but according to the GASB Code Sec. 2200.101, "every government entity should prepare and publish, as a matter of public record, a CAFR that encompasses all funds of the primary government." The District Board of Trustees agrees that good governance requires that the District produce a CAFR.

The following pages present the District's organizational chart, a listing of the District's Board of Trustees, the District's 2017 meeting schedule, a listing of the employees of the District, a copy of our 2016 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

Conclusion

This report has been prepared to provide meaningful data and commentary to anyone interested in understanding the financial and other activities of the South Davis Sewer District. Further information is available in the Management's Discussion and Analysis and in the footnotes to the audit.

The Consolidated Annual Financial Report (CAFR) is the product of the efforts of the entire office and accounting staff. We would like to express our appreciation for their talents and efforts. The District is especially appreciative of the tremendous amount of time and effort put into the CAFR and the Audit by our Accounting Manager, Mark R. Katter and the manager of our Audit, Stephen R. Capson.

We would also like to express our appreciation to the District's Board of Trustees for providing their continued support in maintaining the highest standards of professionalism in the management of the District's finances.

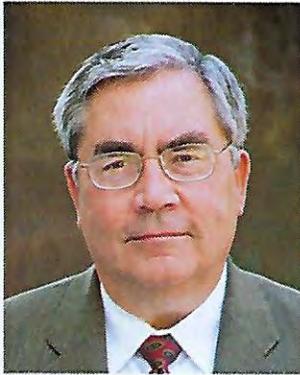
Respectfully submitted,



Dal D. Wayment, P.E.
General Manager/Treasurer



Mark R. Katter
Accounting Manager/Clerk





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Reporting**

Presented to

**South Davis Sewer District
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

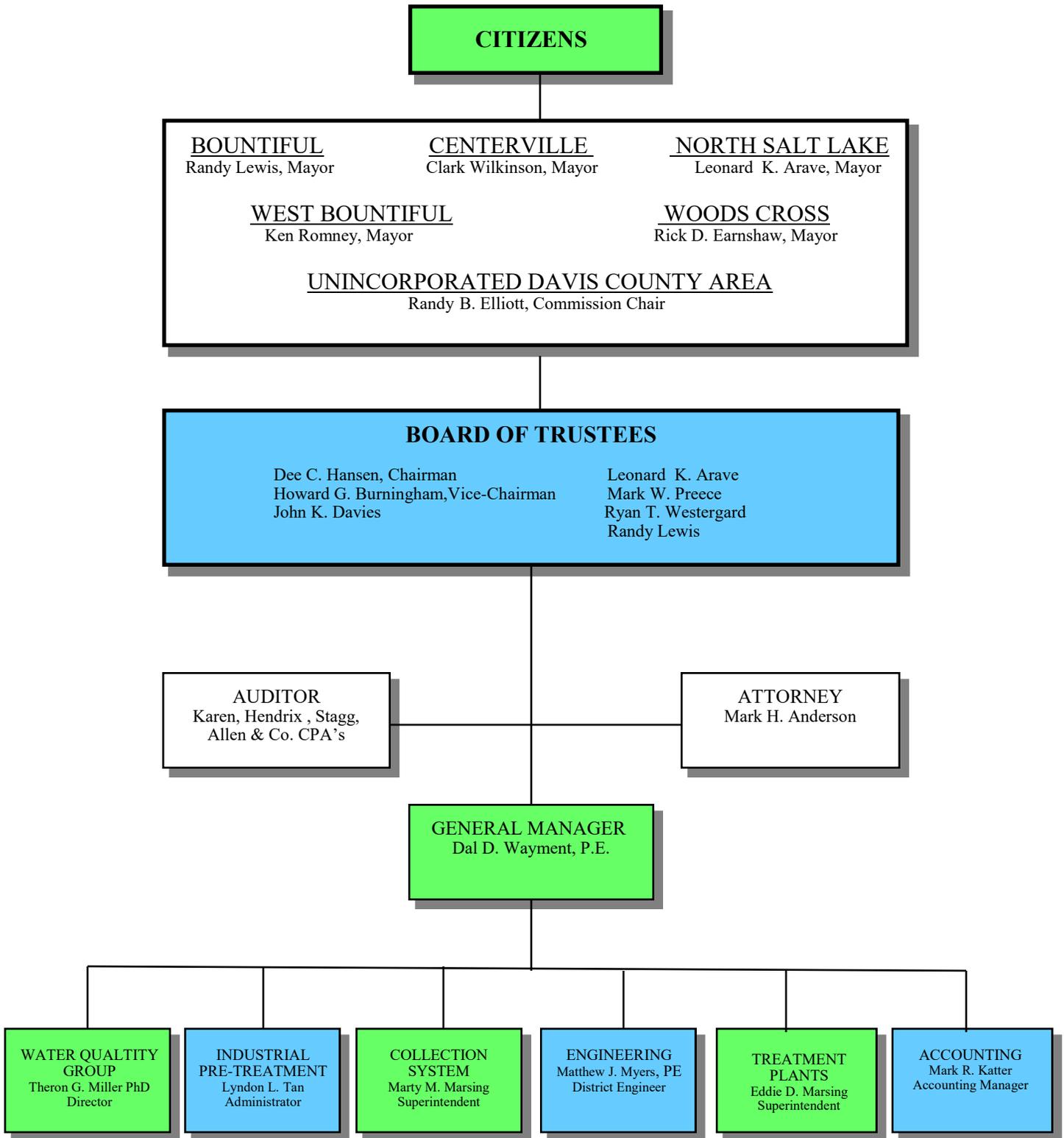
SOUTH DAVIS SEWER DISTRICT AWARDS

- 1976 Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity*
Gary C. Hales
- 1977 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1977 Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity*
Donald E. Stark
- 1979 Outstanding Collection System Under 5 MGD Design Capacity*
- 1978 Outstanding Wastewater Plant Over 5 MGD Design Capacity*
North Plant
- 1981 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1983 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1985 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1988 Outstanding Plant Safety Award*
North Plant
- 1994 Outstanding Plant Safety Award*
North Plant
- 1996 George W. Burke Jr. Award**
- 1999 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1999 Outstanding Wastewater Plant Operator Under 5 MGD Design Capacity*
Eric S. Nemcek
- 1999 Outstanding Wastewater Plant Over 5 MGD Design Capacity*
North Plant
- 2000 Grant K. Borg Extraordinary Service Award*
Dal D. Wayment
- 2001 Quarter Century Operators' Club**
Dal D. Wayment
- 2004 Arthur Sidney Bedell Award**
Dal D. Wayment
- 2011 Outstanding Collection System Over 5 MGD Design Capacity*
Collection Operators
- 2013 Outstanding Young Professional*
Matt Meyers
- 2017 Outstanding Water Reclamation Operator Under 5 MGD Design Capacity*
Tim Munden

Source: * Water Environment Association of Utah (WEAU/State)

** Water Environment Federation (WEF/National)

SOUTH DAVIS SEWER DISTRICT
 Organizational Chart
 For the Year Ending December 31, 2017



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2017



John K Davis



Dee C. Hansen



Howard G Burningham



Ryan T. Westergard



Leonard K. Arave



Mark W. Preece



Randy C. Lewis

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Dee C. Hansen (Appointed)	Chairman	Centerville City	12/31/2019
Howard G. Burningham (Elected)	Vice-Chairman	District At Large	12/31/2021
John K. Davies (Elected)	Trustee	District At Large	12/31/2021
Ryan T. Westergard (Appointed)	Trustee	Woods Cross City	12/31/2020
Leonard K. Arave (Appointed)	Trustee	North Salt Lake City	12/31/2021
Mark W. Preece (Appointed)	Trustee	West Bountiful City	12/31/2020
Randy C. Lewis (Appointed)	Trustee	Bountiful	12/31/2020

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
2018 Meeting Schedule
Board of Trustees
December 31, 2017

PUBLIC NOTICE is hereby given that the 2018 Meeting Schedule of the Board of Trustees of the South Davis Sewer District, Davis County, Utah, is as follows:

<u>REGULAR MEETINGS</u>	<u>DATES</u>
January	18th
February	15th
March	15th
April	19th
May	17th
June	21st
July	19th
August	16th
September	20th
October	18th
November	15th
December	6th

The regular meeting of the Board of Trustees is held each month at 5:00 p.m. at the District Office, 1800 West 1200 North, West Bountiful, Utah.

Mark R. Katter
Clerk

SOUTH DAVIS SEWER DISTRICT
 Full-Time Employees
 For the Year Ending December 31, 2017

Dal D. Wayment	General Manager/Treasurer
Mark R. Katter	Accounting Manager/Clerk
Matt J. Myers	District Engineer
Susanne F. Monsen	Administrative Assistant
Valerie H. Davis	Clerk/Accounts Receivable
DeRae E. Paget	Clerk/Accounts Payable
Eddie D. Marsing	Operations Superintendent
Eric S. Nemcek	Assistant Operations Superintendent
Corry J. King	Lead Treatment Plant Operator
David Peterson	Lead Treatment Plant Operator
Timothy E. Munden	Treatment Plant Operator
Earl W. Seely	Treatment Plant Operator/Biosolids
Brent M. Maxwell	Treatment Plant Operator
Jedd C. Powell	Treatment Plant Operator
Jeffery K. Perkins	Treatment Plant Operator
Lyndon L. Tan	Industrial Pretreatment Administrator
Mike C. Bradshaw	Maintenance
Zane R. Young	Maintenance
Marty G. Marsing	Collection System Superintendent
Tyler Nemcek	Collection System Lineman
Curtis D. Bohman	Collection System Lineman
Jayson D. Dlugas	Collection System Lineman
Shane E. Fleming	Collection System Lineman
Brandon S. Rice	Collection System Lineman
Jacob U. Scott	Collection System Inspector
Carl E. Trimming	Collection System Lineman
Theron G. Miller	Research Scientist

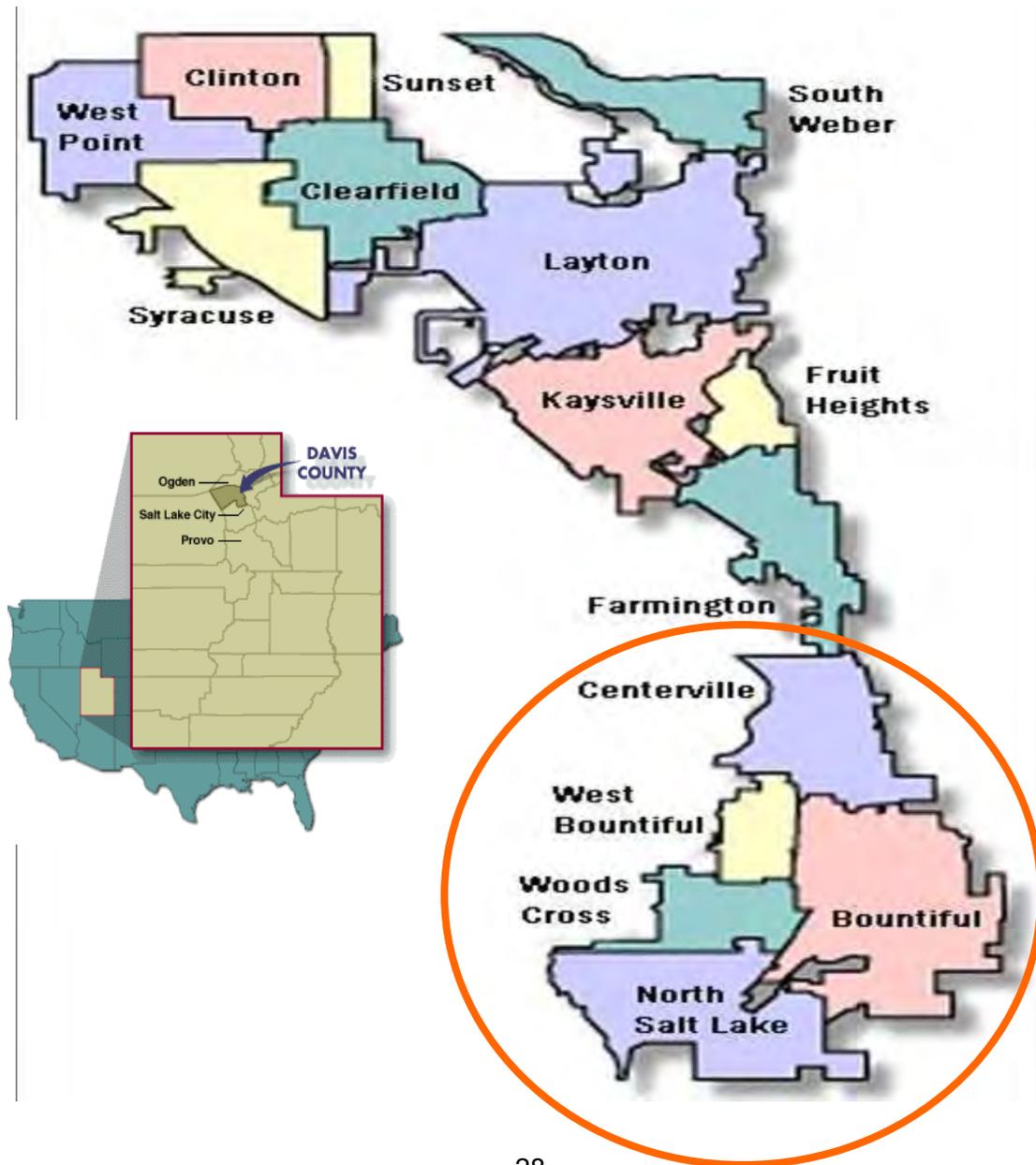
Source: District Personnel Records

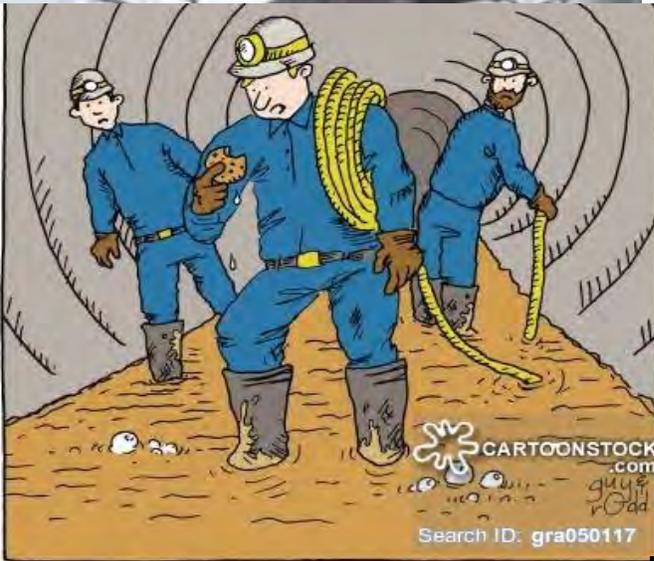
SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2017

Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2017)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	17,657	5.99	May 5, 1915
West Bountiful	5,650	2.96	Dec. 31, 1948
Bountiful	44,107	13.22	Dec. 5, 1892
Woods Cross	11,362	3.76	Sep. 4, 1930
North Salt Lake	20,507	8.45	Sep. 3, 1946
Totals	99,283	34.38	

Source: City Offices, Davis County, State of Utah, and U.S Census





SOUTH HAVEN

City unsure why the sewer smells

By KRISTIN HAY
H-F Correspondent

SOUTH HAVEN — The tests have been inconclusive in trying to locate the source of a mysterious odor that has been detected in

Stickland said he will discuss the strategy of putting a non-toxic smoke into the sewer to detect the path of the offensive gas emanating from basement drains. "Somebody is putting something into the sewer that is creat

NOBODY TOLD JAMES THAT THE FIVE SECOND RULE DIDN'T APPLY IN THEIR LINE OF WORK.

Sewer was blocked by large Pooh

Last updated 17 Feb 2014 00:03 GMT



A Winnie the Pooh teddy bear was found dumped in a manhole in East Kilbride, South Lanarkshire



COMMON SENSE

Don't trust anyone that lives in a sewer.

SCHREIBER.COM



Administration & Office Staff

Valerie Davis, Susanne Monsen,
Dal Wayment, Matt Meyers, Mark
Katter & DeRae Paget

Collection System Operators

Jason Dlugas, Skyjay Galli,
Jacob Scott, Curtis Bohman,
Tyler Nemcek, Brandon Rice,
Carl Trimming, & Marty Marsing,



Maintenance

Mike Bradshaw & Zane Young,



Industrial Pretreatment Administrator

Lyndon Tan

South Treatment Plant Operators

Tim Munden, Jedd Powell,
Eric Nemcek, & Mason Marsing



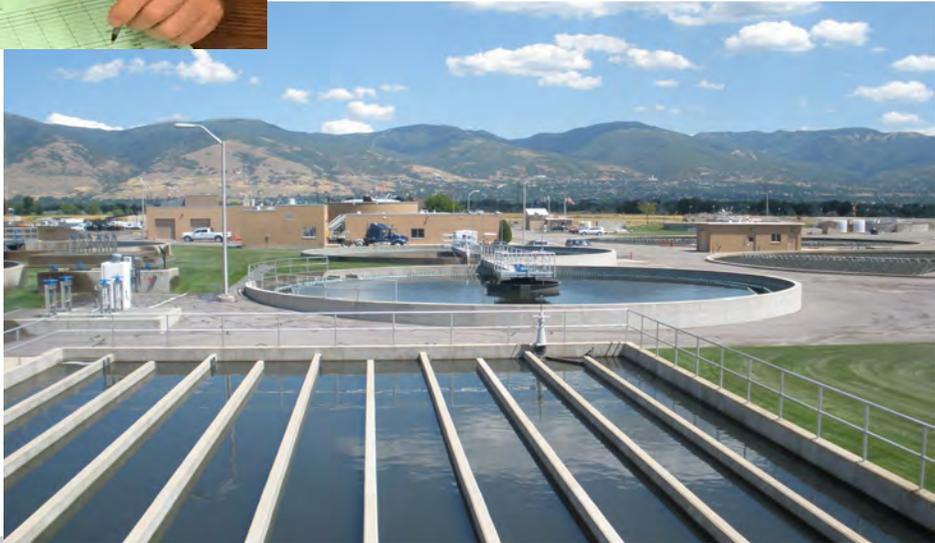
North Plant Treatment Operators

Brent Maxwell & Corry King



Dr. Theron Miller
Research Scientist

**Secondary Clarifiers &
Chlorine Contact
Basins
North Plant**



**Field Trip
North Plant**



North Treatment Plant

North Treatment Plant
Operation Control Panel



Earl Seely
Bio Solids/Operator



Tim Munden awarded outstanding operator from the WEAU

Wasatch Resource Recovery & ABNR projects



Reviewing Developer Plans

FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

111 East Broadway • Suite 250 • Salt Lake City, Utah 84111
Phone 801.521.7620 • Fax 801.521.7641
Website www.khsa.biz

Ray H. Allen, CPA
Rebecca M. Allred, NCG
Lois M. Brandriet, PhD
APRN, GCNS-BC, NCG
Stephen R. Capson, CPA
Scott J. Hanni, CPA
Danny L. Hendrix, CPA
B. Joe Merkley, CPA
Tim C. Rees, CPA
Jeffrey N. Ririe, CPA
G. John Runia, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Davis Sewer District

Report on the Financial Statements

We have audited the accompanying financial statements of South Davis Sewer District as of and for the years ended December 31, 2017 and 2016, and the related notes to the 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 auditor's 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 financial position of South Davis Sewer District as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Analysis on pages 37-46, Modified Approach for Eligible Infrastructure Assets on pages 68-72 and Schedule of the Proportionate Share of the Net Pension Liability on pages 73-75 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Davis Sewer District's basic financial statements. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2018 on our consideration of South Davis Sewer 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 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 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 South Davis Sewer District's internal control over financial reporting and compliance.



Salt Lake City, Utah
July 18, 2018

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2017 and 2016
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the year ended December 31, 2017 and December 31, 2016, with comparative totals for December 31, 2015. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal in the Introductory Section, the Basic Financial Statements and Notes to Financial Statements, and the other information which is presented in the Financial Section and Statistical Section of this *Comprehensive Annual Financial Report* (CAFR).

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017 therefore net position was \$82,473,405. In 2016 and 2015 the District's net position was \$80,552,156 and \$79,784,151 respectively. Net investment in capital assets is 73% of the District's assets (land, buildings, facilities, sewer lines, and equipment).
- The District's 2017 total net position increased by \$1,921,249 from 2016 and increased \$768,005 from 2015 to 2016.
- At the end of fiscal year 2017, the District's unrestricted cash, cash equivalents, and investments reported combined ending balances of \$6,177,951. 2016 and 2015 ending balances were \$18,628,790 and \$18,796,338 respectively.
- The District issued 20-year taxable revenue bonds, par value \$21,195,000 to finance the renewable energy project located at the District's south treatment plant (Wasatch Resource Recovery).
- 2017 impact fee revenue was \$589,843 a 0.41% decrease from 2016. Impact fee revenue in 2016 was \$592,322 and for 2015, \$4,572,029. The 2017 impact fee revenue was primarily the result of major construction developments: Legacy Trails Subdivision, Odell Crossing Apartments and IHC medical center. You can read more about the District's impact fee revenue in the Other Supplementary Information section.
- Interest income in 2017 came from cash, cash equivalents, investments and bond proceeds totaling \$302,862, a 93% increase from 2016. Interest income in 2015 and 2016 was \$94,186 and \$178,050 respectively, an 89% increase.
- The District had an investment of \$459,850 in the Wasatch Resource Recovery project (WRR).
- Operating revenues for 2017 and 2016 were \$3,073,524 and \$2,981,204 respectively (7%), and \$2,762,985 for 2015 (9% increase from 2015 to 2016). 2017 operating expenses increased by .43%, or \$21,361 from 2016. From 2015 to 2016, operating expenses increased 12%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial position. The District's basic financial statements are comprised of the following: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, (4) Notes to Financial Statements, (5) Required Supplementary Information, and (6) Other Supplementary Information in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner like the private sector business. The District uses an enterprise fund to account for the fiscal activities relating to the collection and treatment of wastewater in South Davis County. An enterprise fund is a proprietary type fund (business type) used by governments to report an activity for which a fee is charged to users for goods or services provided.

The Statement of Net Position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The information in the Statement of Revenues, Expenses, and Changes in Net Position presents how the District's net assets changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The Statement of Cash Flows presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other supplementary Information is additional to the basic financial statements and accompanying notes. These reports present certain required and non-required supplementary information of the District. The Required Supplementary Information and Other Supplementary information are located in the Financial Section of this report.

The Statistical Section provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information.

Financial Analysis of the District

The District's net position may serve over time as a useful indicator of a government's financial position. In the case of the South Davis Sewer District, Net position at the end of the 2017 fiscal year was \$82,473,405 (2% increase from 2016), \$80,552,156 at the end of the 2016 fiscal year, and \$79,784,151 at the end of the 2015 fiscal year.

The largest portion of the District's net position (93% in 2017, 77% in 2016, and 77% in 2015) reflects its net investment in capital assets (e.g. sewer lines, land, buildings and facilities, machinery, and equipment) less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide wastewater services to its customers (citizens). It should be noted that resources needed to repay debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District had outstanding debt for fiscal year 2017, in the form of 20-year taxable revenue bonds to finance the Districts renewal energy project. The par value of these bonds is \$21,195,000 and the carrying value at the end of FY 2017 \$20,748,437.

In 2017 the District's operating revenues of \$3,073,524 increased from \$2,981,204 (2016) by 3%. Operating revenue in 2015 was \$2,742,985. 2017 operating expenses were \$6,691,513 (less depreciation) a 1% increase from 2016 (\$6,666,828). And from 2015 to 2016 operating expenses increased by \$403,169 or 7%.

Key factors driving the preceding results include:

- Sewer service revenue for 2017 was \$2,503,468, a 1% increase compared to fiscal year 2016. This primarily came from continued growth in the new construction of homes and businesses within the District in 2017. The District has not increased sewer service rates since 1988 and did not increase rates in 2017.
- 2017 and 2016 property tax revenue were \$2,102,078 and \$2,282,560 respectively, a decrease of 7%. This was the result of Davis County valuation adjustments on personal property for the refineries located in the District, and in the property tax collection rate of 96.5%.
- Contributions to capital revenue were \$2,325,199 and \$650,236 in 2017 and 2016 respectively, an increase of 258%. In 2015, contributions to capital revenue was \$266,362. Contributions to capital revenue primarily comes from deeded lines to the District from developers. This 258% increase in 2017 is the result of the boom in the construction industry and a strong economy.
- Impact fee revenue is a consequence of new building construction and development. These impact fees reflect economic recovery for the construction industry from when the great economic recession of 2008 was in full swing. Impact fee revenue was \$589,843 and \$592,322 in 2017 and 2016 respectively. In 2015, \$3,702,000 of impact fee revenue came from Holly Refinery for plant expansion; therefore, for comparison purposes, 2015 impact fee revenue was \$870,026 (without Holly Refinery's impact fee revenue).
- With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No. 34*. Depreciation expense for 2017 and 2016 were \$323,330 and \$326,654 respectively. Depreciation expense for 2015 was \$278,380. The Modified Approach is discussed in greater detail in the Required Supplementary Information section of this report.
- In 2017 and 2016, salaries and benefit expenses increased 3% and 12% respectively, due to a combination of health care increased costs and cost of living increases. Two additional full-time employees were hired in 2017 that also contributed to this increase.
- The 2017 increase in operating expenses was .4% (less depreciation) compared to 2016. This essentially was the result of lower costs from outside services, manhole rehabilitation, lab testing, utilities, chemicals, repairs and maintenance.
- As of December 31, 2017, the District's non-current obligations outstanding were employee compensated absences of \$499,008 (\$463,321 in 2016), an increase of 8%. This obligation continues to grow because of the District's low employee turnover rate. On May 17, 2017 the District issued 20-year taxable revenue bonds in the amount of \$21,195,000 (par). These bonds are to finance the WRR renewable energy project.
- The District had a net pension liability totaling \$1,621,008, \$1,485,456 and \$893,518 for 2017, 2016 and 2015 respectively, the increase from 2016 to 2017 was 9%. This was due to complying with *GASB Statement No. 68* which was adopted in 2015. The Utah Retirement System's actuaries lowered its 2016 assumed rate of return from 7.2% to 6.95% consequently resulting in an increase in the net pension liability. The fiduciary net position (funded) for URS was 85.2% in 2017, many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements and the Required Supplemental Information for more detailed information.

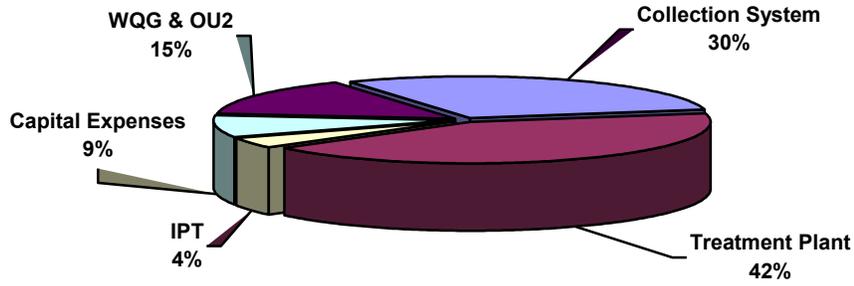
**South Davis Sewer District
Condensed Statements of Net Position
2017-2016**

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and Other Assets	\$ 7,042,181	\$ 19,629,290	\$ (12,587,109)	-64%
Restricted Assets	0	0	-	
Capital and Noncurrent Assets	98,253,895	62,622,006	35,631,889	57%
Total Assets	\$ 105,296,076	\$ 82,251,296	\$ 23,044,780	28%
Deferred Outflows of Resources	1,070,080	900,460		
Total Assets & Deferred Outflows of Resources	\$ 106,366,156	\$ 83,151,756		
Current Liabilities	816,681	522,624	294,057	56%
Long Term Liabilities	22,868,453	1,948,777	20,919,676	1073%
Total Liabilities	\$ 23,685,134	\$ 2,471,401	21,213,733	858%
Deferred Inflows of Resources	207,617	128,199	79,418	
Total Liabilities & Deferred Inflows of Resources	\$ 23,892,751	\$ 2,599,600	\$ 21,293,151	819%
Net Position:				
Invested in capital assets, (net of related debt)	\$ 56,736,773	\$ 62,253,415	(5,516,642)	-9%
Restricted	16,200,815	0	16,200,815	
Unrestricted	9,535,817	18,298,741	(8,762,924)	-48%
Total Net Position	\$ 82,473,405	\$ 80,552,156	\$ 1,921,249	2%

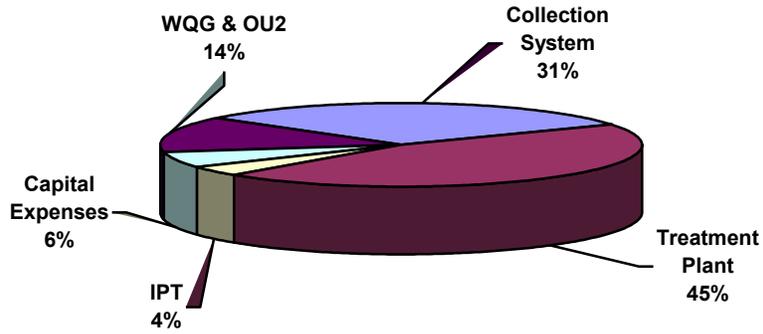
**South Davis Sewer District
Condensed Statements of Net Position
2016-2015**

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Current and Other Assets	\$ 19,629,290	\$ 19,562,221	\$ 67,069	0%
Restricted Assets	0	0		
Capital Assets and Noncurrent Assets	62,622,006	61,735,456	886,550	1%
Total Assets	\$ 82,251,296	\$ 81,297,677	\$ 953,619	1%
Deferred Outflows of Resources	900,460	\$ 361,388.00		
Total Assets & Deferred Outflows of Resources	\$ 83,151,756	\$ 81,659,065	953,619	
Current Liabilities	522,624	403,320	119,304	30%
Long Term Liabilities	1,948,777	1,343,615	605,162	45%
Total Liabilities	\$ 2,471,401	\$ 1,746,935	724,466	41%
Deferred Inflows of Resources	128,199	127,979		
Total Liabilities and Deferred inflows of Resources	\$ 2,599,600	\$ 1,874,914	\$ 724,666	
Net Position:				
Invested in capital assets, (net of related debt)	\$ 62,253,415	\$ 61,660,782	592,633	1%
Restricted	0	0		
Unrestricted	18,298,741	18,123,369	175,372	1%
Total Net Position	\$ 80,552,156	\$ 79,784,151	\$ 768,005	1%

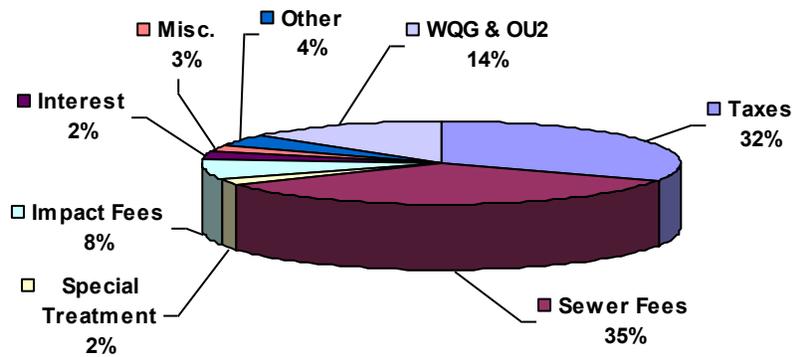
Expenses by Department 2016



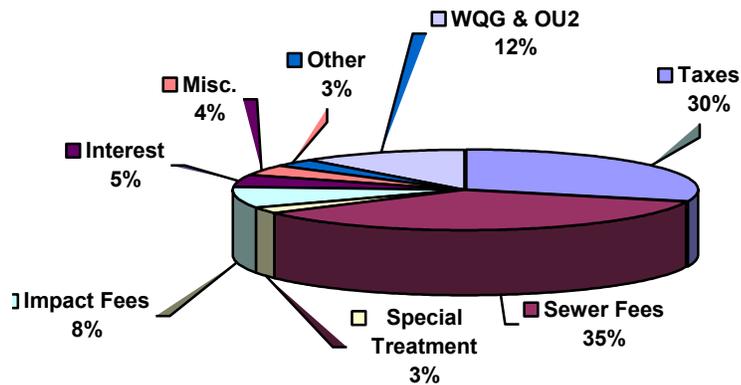
Expenses by Department 2017



Revenue by Source 2016



Revenues by Source 2017



SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2017-2016

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,503,468	\$ 2,471,683	\$ 31,785	1%
Special Treatment Fees	205,292	197,526	7,766	4%
Inspection & Project Fees	34,276	33,730	546	2%
Other	454,202	278,265	175,937	63%
Equity in Earnings (Loss)	(123,714)			
Total Operating Revenues	3,073,524	2,981,204	92,320	3%
Operating Expenses:				
Operating Expenses	2,668,561	3,110,940	(442,379)	-14%
Salaries & Benefits	4,022,952	3,555,888	467,064	13%
Depreciation	323,330	326,654	(3,324)	-1%
Total Operating Expenses	7,014,843	6,993,482	21,361	0%
Non-Operating Revenue (Expense)				
General Property Tax	2,102,078	2,282,560	(180,482)	-8%
Impact Fees	589,843	592,322	(2,479)	0%
Miscellaneous	-	119,065	(119,065)	-100%
Interest Income	302,862	178,050	124,812	70%
Bond Interest & Costs	(483,601)			
WQG Contributions & EPA Grant	924,746	900,827	23,919	3%
Gain (Loss) on Disposal of Property	87,959	36,394	51,565	142%
Unrealized gain (loss) on investments	13,482	20,829	(7,347)	100%
Total Non-Operating Revenue (Expense)	3,537,369	4,130,047	(592,678)	-14%
Increase in Net Position Before Capital Contributions	(403,950)	117,769	(521,719)	-443%
Contributed Capital	2,325,199	650,236	1,674,963	258%
Increase in Net Position	1,921,249	768,005	1,153,244	150%
Net Position at Beginning of Year	80,552,156	79,784,151	768,005	1%
Prior Period Adjustment	-	-	-	
Net Position at End of Year	\$ 82,473,405	\$ 80,552,156	\$ 1,921,249	2%

SOUTH DAVIS SEWER DISTRICT
Revenues, Expenses, and Changes in Net Position
2016-2015

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,471,683	\$ 2,266,210	\$ 205,473	9%
Special Treatment Fees	197,526	180,779	16,747	9%
Inspection & Project Fees	33,730	20,470	13,260	65%
Other	278,265	295,526	(17,261)	-6%
Total Operating Revenues	2,981,204	2,762,985	218,219	8%
Operating Expenses:				
Operating Expenses	3,110,940	2,615,468	495,472	19%
Salaries & Benefits	3,555,888	3,320,101	235,787	7%
Depreciation	326,654	278,380	48,274	17%
Total Operating Expenses	6,993,482	6,213,949	779,533	13%
Non-Operating Revenue (Expense)				
General Property Tax	2,282,560	2,208,762	73,798	3%
Impact Fees	592,322	4,572,029	(3,979,707)	-87%
Miscellaneous	119,065	140,865	(21,800)	-15%
Interest Income	178,050	94,186	83,864	89%
WQG Contributions & EPA Grant	900,827	785,000	115,827	100%
Gain (Loss) on Disposal of Property	36,394	33,603	2,791	8%
Unrealized gain (loss) on investments	20,829	(14,326)	35,155	
Total Non-Operating Revenue (Expense)	4,130,047	7,820,119	(3,690,072)	-47%
Increase in Net Position Before Capital Contributions	117,769	4,369,155	(4,251,386)	-97%
Contributed Capital	650,236	266,362	383,874	144%
Increase in Net Position	768,005	4,635,517	(3,867,512)	-83%
Net Position at Beginning of Year	79,784,151	75,924,807	3,859,344	5%
Prior Period Adjustment	-	(776,173)		
Net Position at End of Year	\$ 80,552,156	\$ 79,784,151	\$ 768,005	1%

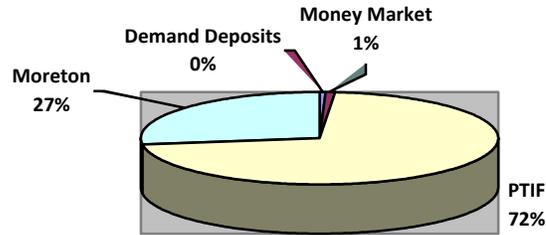
Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year are invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels that safety, liquidity, and yield provided by the PTIF make a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rates paid by the PTIF for 2017 and 2016 were 1.39% and 0.948% respectively (44% Increase). Interest rates have been at historic lows beginning in 2009. A ten-year history of the PTIF interest rates is found in the Statistical Section.

\$4,000,000 is invested with Moreton Asset Management which is earning 1.87% as of December 31, 2017. These funds are considered "sustainable funds." The book value as of December 31, 2017 is \$4,018,418

The District also has three demand deposit accounts and one money market account all of which earn interest. The interest earned in these four accounts is immaterial because the account balances are small, and the interest rates are currently low.

Cash & Cash Equivalents 2017



Interest income for 2017 and 2016 was \$302,862 and \$178,050 respectively an 70% Increase. This increase was the result of higher interest rates and larger fund balances in the PTIF investment. Revenue bond proceeds are held in a PTIF account and earn interest.

The Utah State Money Management Act sets forth investment limitations and standards for proper cash management for local government agencies. This act also defines the type of securities the District can invest in and provides a list of state certified investment advisors and brokers. The District complies with the requirements of the Utah State Money Management Act.

Capital Assets

The capital assets of the District are made up of land, buildings and treatment plant facilities, a collection system of lines and pipes, and equipment.

As of December 31, 2017, the District had \$94,494,332 (historical cost) in capital assets. This represents a net increase of 19% over 2016 and a 1% net increase from 2015 to 2016 as shown in the tables below:

Property and Equipment 2017-2016 and 2016-2015

	Fiscal Year		Fiscal Year		Change	Percent Change
	2017	2016	2016	2015		
Land	\$ 3,148,863	\$ 3,148,863	\$ 3,148,863	\$ 3,148,863	-	0%
Buildings & Facilities	24,336,186	24,297,371	24,297,371	24,297,371	38,815	0%
Outfall/Sewer Lines	48,251,041	45,925,842	45,925,842	45,925,842	2,325,199	5%
Equipment	5,990,420	5,950,097	5,950,097	5,950,097	40,323	1%
Construction in Progress	12,767,821	337,649	337,649	337,649	12,430,172	3681%
Total	\$ 94,494,332	\$ 79,659,822	\$ 79,659,822	\$ 78,589,869	14,834,510	19%

	Fiscal Year		Fiscal Year		Change	Percent Change
	2016	2015	2015	2014		
Land	\$ 3,148,863	\$ 3,148,863	\$ 3,148,863	\$ 3,148,863	(0)	0%
Buildings & Facilities	24,297,371	24,297,371	24,297,371	24,297,371	(0)	0%
Outfall/Sewer Lines	45,925,842	45,564,968	45,564,968	45,564,968	360,874	1%
Equipment	5,950,097	5,492,793	5,492,793	5,492,793	457,304	8%
Construction in Progress	337,649	85,874	85,874	85,874	251,775	293%
Total	\$ 79,659,822	\$ 78,589,869	\$ 78,589,869	\$ 78,589,869	1,069,953	1%

The major capital asset events for the 2017 fiscal year included the following:

- Construction costs of renewable energy project (WRR) \$7,358,861
- Construction costs of nutrient removal project (ABNR) \$4,198,011
- Contribution of sewer lines from developers at a value of \$2,325,199
- Purchased two front loaders at a cost of \$259,700.
- Upgrade of GIS system at a cost of \$37,108.
- Purchased a computer server and desktops (11) at a cost of \$33,358

The District spent \$557,777 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2017. Studies have shown that every dollar of preventative maintenance spent in the first 10 years of an asset will save \$4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2017 capital asset additions included:

Sewer Lines	\$2,325,199
Buildings, Facilities & Lines	28,893
Equipment	540,410
Construction -In-Progress	12,440,095
Total	\$15,334,596

Additional information on the District’s capital assets can be found in the Required Supplementary Information Section, the Statistical Section and the notes to the financial statements.t.

Debt Administration

The District issued 20-year taxable revenue bonds (Series 2017A) to finance the construction of the Wasatch Resource Recovery (WRR) renewable energy project. The par amount of these bonds is \$21,195,000. The closing date for the bonds was May 17, 2017 and the maturity date December 1, 2037. The average coupon rate is 4.17%. Bonds maturing on and after December 1, 2027 are callable at par on December 1, 2026. The District made a bond interest payment of \$451,460.90 on December 1, 2017.

The District received a bond rating from Standard and Poor’s (S&P) credit agency of “A”. S&P felt that the project resembled a power utility project i.e. Questar or Rocky Mountain Power more than a normal sewer project. S&P indicated that the “A” rating is what Questar or Rocky Mountain Power would have received.

Modified Approach to Accounting for Infrastructure

Starting January 1, 2004, the District elected to use the Modified Approach instead of the Depreciation Approach to account for its collection system and treatment plant facilities as defined by *GASB Statement No. 34*. The Modified Approach reflects a more accurate portrayal of infrastructure value. Using the Depreciation Approach does not consider the value added or maintained due to maintenance and rehabilitation efforts. The District’s Asset Management Plan (AMP) defines a condition rating scale between 1 and 5, with 1 being very good and 5 being very poor.

The target levels of service are a rating between 1 and 3. Funds totaling \$684,106 were budgeted in 2018 to rehabilitate and correct those identified deficiencies in the collection and plant systems. The District has always budgeted significant funds for this purpose. Additional information about the modified approach can be found in the Required Supplementary Information Section of this report.

Economic Factors, Next Year's (2018) Budgets, and Rates

- The District continues to approach budgeting for revenues conservatively with the focus on long-term sustainability.
- The 2018 debt service for the 20-year taxable revenue bond will be two interest payments only of \$418,881.25 and \$418,881.25 on June 1, 2018 and December 1, 2018 respectively.
- Davis County property tax assessment values for 2018 are projected to increase 3% according to the Davis County Assessor's office. \$2,171,149 has been budgeted for property tax revenue for 2018. The District's certified tax rate for 2018 is .000243, a decrease of 8% from 2017.
- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have leveled off in 2015. Interest rates are now trending upward but are still projected to remain low for 2018.
- \$911,000 has been budgeted for sewer line rehabilitations and spot repairs including \$770,000 for cured in place pipe (CIPP) projects. \$1,432,000 has been budgeted for both treatment plant preservation and rehabilitation, and \$350,000 is budgeted for the green energy project (heat and power).
- The WRR facility is projected to be operational by November 2018. The WRR facility will take food waste and convert it to green natural gas. The District will need to hire additional personnel to operate this facility. It is projected that eight to twelve new employees will be needed to operate the WRR facility.
- To comply with the new nutrient restrictions issued by the Environmental Protection Agency (EPA) and the Utah State Division of Water Quality (DWQ), the District is exploring the possibility of building a nutrient removal facility (ABNR) that will use algae to facilitate this nutrient removal. It is anticipated this algae project will cost approximately \$30 million and would be funded by state revolving loans. As of December 31, 2017, this was in the planning and feasibility stage.
- A sewer service rate increase is projected for mid-year 2018. And could raise the monthly rate from \$5.00 to \$10.00. The District has not increased sewer service rates since 1988 (30 years). The purpose of this increase is to cover the debt service of the ABNR and WRR projects and District operational, maintenance and rehabilitation expenses. This rate increase is projected to increase sewer service revenue by \$2,500,000 annually.

Requests for Information

This financial report is designed to provide a general overview of the South Davis Sewer District finances and to demonstrate accountability and transparency in its operations. If you have questions about this report or need additional information, please contact the District's General Manager, Dal Wayment, or the Accounting Manager, Mark Katter, at 1800 W 1200 N, West Bountiful, mailing address P. O. Box 140111, Salt Lake City, Utah 84114-0111, by phone at (801) 295-3469, or email at dwayment@sdsd.us or mkatter@sdsd.us.

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2017 and 2016

	2017	2016
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,177,951	\$ 18,628,790
Receivables:		
Accounts receivable, sewer service charges	106,199	179,820
Accounts receivable, certified to county treasurer	34,591	49,321
Accounts receivable, special treatment charges	18,136	16,678
Accounts receivable, other	260,416	179,611
Accrued property taxes receivable	391,359	531,343
Accrued interest receivable	24,534	3,019
Inventory of supplies	7,195	18,324
Prepaid expenses	21,800	22,384
TOTAL CURRENT ASSETS	7,042,181	19,629,290
NONCURRENT ASSETS		
Restricted cash and cash equivalents	16,200,816	-
Investments	4,018,418	-
Investment in WRR, LLC	459,850	299,259
Reimbursable costs	54,694	69,317
Net pension asset	-	15
Nondepreciable capital assets	75,335,401	59,854,700
Depreciable capital assets, net	2,184,716	2,398,715
TOTAL NONCURRENT ASSETS	98,253,895	62,622,006
TOTAL ASSETS	\$ 105,296,076	\$ 82,251,296
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	\$ 1,070,080	\$ 900,460

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2017 and 2016

	2017	2016
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 520,076	\$ 344,691
Accrued salaries & wages	91,873	79,740
Accrued payroll taxes	78,725	18,288
Accrued bond interest payable	34,907	-
Performance deposits and retainage	46,100	54,905
Current portion of accrued compensated absences	45,000	25,000
TOTAL CURRENT LIABILITIES	816,681	522,624
NONCURRENT LIABILITIES		
Revenue bonds payable, net of unamortized discount	20,748,437	-
Accrued compensated absences	499,008	463,321
Net pension liability	1,621,008	1,485,456
TOTAL NONCURRENT LIABILITIES	22,868,453	1,948,777
TOTAL LIABILITIES	\$ 23,685,134	\$ 2,471,401
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pensions	\$ 207,617	\$ 128,199
NET POSITION		
Net Investment in capital assets	\$ 56,736,773	\$ 62,253,415
Restricted for:		
Capital projects	14,184,170	-
Debt service	2,016,645	
Unrestricted	9,535,817	18,298,741
TOTAL NET POSITION	\$ 82,473,405	\$ 80,552,156

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sewer service charges	\$ 2,503,468	\$ 2,471,683
Sewer special treatment charges	205,292	197,526
Inspection, and project fees	34,276	33,730
Other operating revenues	454,202	278,265
Equity in earnings (losses) in subsidiary/JV activity	(123,714)	-
TOTAL OPERATING REVENUES	3,073,524	2,981,204
OPERATING EXPENSES		
Personal services	4,022,952	3,555,888
Contractual services	607,228	602,336
Utilities	334,911	330,856
Repairs and maintenance	1,080,825	1,484,918
Other supplies and expenses	526,287	575,766
Insurance claims and expenses	119,310	117,064
Depreciation	323,330	326,654
TOTAL OPERATING EXPENSES	7,014,843	6,993,482
OPERATING LOSS	(3,941,319)	(4,012,278)
NONOPERATING REVENUES AND (EXPENSES)		
General property tax	2,102,078	2,282,560
Intergovernmental contributions	924,746	900,827
Impact fees	589,843	592,322
Miscellaneous revenue	-	119,065
Grant Revenue	-	-
Interest income	302,862	178,050
Bond interest expense	-	-
Bond issuance costs	(483,601)	-
Unrealized gain (loss) on investments	13,482	20,829
Gain (loss) on sale of plant equipment	87,959	36,394
TOTAL NONOPERATING REVENUES AND (EXPENSES)	3,537,369	4,130,047
INCOME BEFORE CAPITAL CONTRIBUTIONS	(403,950)	117,769
DEVELOPER CONTRIBUTED SEWER LINES	2,325,199	650,236
CHANGE IN NET POSITION	\$ 1,921,249	\$ 768,005
NET POSITION - BEGINNING OF THE YEAR	80,552,156	79,784,151
NET POSITION - END OF THE YEAR	\$ 82,473,405	\$ 80,552,156

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,729,471	\$ 2,133,003
Payments to suppliers of goods and services	(2,481,463)	(3,025,711)
Payments to employees for services	(3,849,330)	(3,480,789)
Other receipts	204,173	311,995
NET CASH USED IN OPERATING ACTIVITIES	(3,397,149)	(4,061,502)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,242,062	2,305,988
Intergovernmental contributions	924,746	1,019,892
Impact fees collected	589,843	592,322
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,756,651	3,918,202
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of revenue bonds	20,729,724	-
Bond issuance costs paid	(483,601)	
Bond interest paid	(451,460)	
Proceeds from the sale of capital assets	538,586	299,725
Purchase of capital assets	(13,210,380)	(532,382)
Net receipt (refund) of performance deposits and retainages	(8,805)	10,700
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	7,114,064	(221,957)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,037,095)	-
Interest income received	313,506	197,709
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	(3,723,589)	197,709
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	3,749,977	(167,548)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	18,628,790	18,796,338
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 22,378,767	\$ 18,628,790

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows, Continued For the Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (3,941,319)	\$ (4,012,278)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	323,330	326,654
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	73,621	(82,447)
Sewer service charges certified to county treasurer	14,730	6,050
Special treatment charges	(1,458)	(7,000)
Other	(80,805)	(329,595)
Property taxes	-	(128,329)
Inventory of construction and maintenance materials	11,129	(7,012)
Prepaid expenses	584	(7,801)
Equity investment in LLC	(160,591)	-
Reimbursed costs	14,623	5,115
Net pension asset	15	227
Deferred outflows of resources	(169,620)	(539,072)
Increase (decrease) in:		
Accounts payable	175,385	100,042
Accrued payroll	12,133	8,859
Accrued payroll taxes	60,437	(297)
Accrued compensated absences	55,687	13,224
Net pension liability	135,552	591,938
Deferred inflows of resources	79,418	220
NET CASH USED IN OPERATING ACTIVITIES	\$ (3,397,149)	\$ (4,061,502)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

The District received additions to the collection system, which represent the fair value of sewer lines deeded to the District. These additions were accounted for as "developer contributed sewer lines" in the statement of revenues, expense, and changes in fund net position

	\$ 2,325,199	\$ 650,236
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The District capitalized interest paid and accrued on revenue bonds payable.

	\$ 505,080	\$ -
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The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Davis Sewer District (the "District") serves the Cities of North Salt Lake, Woods Cross, Bountiful, West Bountiful, and Centerville as well as the unincorporated areas South in Davis County. The District is a local district governed by a seven-member board. Each of the five incorporated cities included in the District's service area, appoint one member to the Board of Trustees, and the residents of the District at large elect two members during a municipal election. Members of the Board of Trustees serve four-year terms and may be appointed or elected to an unlimited number of additional terms. Management has determined that the District is not a component unit of another government entity, nor should the District include, in its basic statements, other government entities as component units.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncement (Standards and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The District is not a component unit of another government entity. There are no entities that are component units of the District.

B. Measurement Focus and Basis of Accounting

The District is a government entity accounted for as an enterprise fund and categorized as a business-type activity, which is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis are financed or recovered primarily through user charges. Revenues are recognized when earned and expenses are recognized with a liability is incurred, regardless of the timing of related cash flows.

C. Budgetary Data

Items budgeted, but not expended, are not carried over to succeeding years. Budgeted items must be re-appropriated each year. The budgetary report is reconciled to the basic financial statements (GAAP basis) as noted in the other supplementary information found on pages 76-77. The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a basis consistent with GAAP with the following exceptions:

- Bond principal payments are budgeted as nonoperating expenditures.
- Depreciation is not budgeted.
- Capital expenditures are budgeted as nonoperating expenditures.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Investments

Investments in debt securities are comprised of U.S. government securities, residential mortgage-backed securities, and corporate notes. These investments are carried at fair value determined on quote market prices. Changes in the fair value of investments are recognized as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

The District complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The District's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The District's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements, the District considers all highly liquid investments, (including restricted assets) that mature within ninety days or less when purchased, to be cash equivalents.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

F. Inventories

Inventory is stated at cost on a first-in, first-out ("FIFO") basis.

G. Capital Assets

The District elects to use the *Modified Approach* for infrastructure reporting for its sewer treatment facility and collection system. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Costs include materials, transportation, and interest on funds borrowed to finance construction. Capital assets are categorized as either nondepreciable or depreciable capital assets.

- *Nondepreciable capital assets* - This category includes inexhaustible capital assets, such as land and land improvements, and eligible infrastructure assets reported using the *Modified Approach*. Under the Modified Approach, the cost of additions and improvements to eligible infrastructure assets should be capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets. All other expenditures that preserve the useful life of the assets are expensed in the period incurred. Infrastructure assets are eligible under the Modified Approach as long as the District manages the eligible infrastructure assets using an asset management system, and the District documents that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the District. [See additional information in the Required Supplementary Information (RSI)]
- *Depreciable capital assets* - Assets in this category includes all capital assets not eligible under the Modified Approach. These assets are recorded at cost and contributed assets are valued at their estimated fair market value on the date of the contribution. Additions and improvements that significantly extend the useful life of an asset are capitalized, whereas maintenance and repair costs are charged to current period operating expenses. These assets are depreciated over their remaining useful lives.

Depreciation has been calculated over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

- Machinery and equipment 7—15 years
- Mobile equipment 5—10 years
- Office furniture and equipment 2—10 years

The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses, and changes in fund net position. Construction in progress primarily relates to upgrades of existing facilities.

H. Interest Capitalization

The District follows Financial Accounting Standards Board Standards concerning the capitalization of interest for qualifying assets. For the years ended December 31, 2017 and 2016, \$505,080 and \$-0-0 interest was capitalized, respectively.

I. Operating and Non-Operating Revenue and Expenses

Enterprise funds distinguish operating revenues and expense from nonoperating revenues and expenses.

- *Operating revenues and expenses* include activities that result from exchange transactions in providing services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District are sewer service charges, sewer special treatment charges and inspection, and plan review fees. Operating expenses for District include labor, supplies, professional services, utilities, administrative expenses, and depreciation on capital assets
- *Non-operating revenues and expenses* include activities that have the characteristics of non-exchange transactions. Examples of non-operating revenues and expenses would be property tax revenues, impact fees, penalties income, contributed capital, interest income, interest expense, unrealized gains or losses on investments, amortization, and gain or loss on sale of assets.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Pensions

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) and additions to/deductions from the 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.

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

M. Net Position

The District's net position is classified as follows:

- *Investment in capital assets, net of related debt* - This component of net position consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds that are attributable to the acquisition, constriction or improvement of those assets.
- *Restricted* -This component of net position consists of constraints imposed by creditors (such as debt covenants and/or sinking fund requirements).
- *Unrestricted* -This component of net position consists of net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

N. Restricted and Unrestricted resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

O. Allowance for Doubtful Accounts

The District does not record bad debt expense or an allowance for doubtful accounts on sewer fees. Unpaid fees are certified to the County and attached as liens on the related real estate.

P. Contributed Capital

Contributed capital consists of reimbursements by land developers for the costs of installing irrigation systems in subdivisions or other developments. Capital contributions are recorded separately after non-operating revenues and expenses.

Q. Risk Management

The District has exposure to liabilities due to the nature of operations. The District purchases insurance to insure against various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance coverage to reduce the risk of loss to a level acceptable by the Board.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

2. DEPOSITS AND INVESTMENTS

The District's deposits and investments are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

A. Deposits

Custodial Credit Risk—Deposits: 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 Money Management Act requires deposits be in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and that 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 District's insured and uninsured and uncollateralized bank balances were as follows:

	2017	2016
Carrying amount (book balance)	\$ 447,143	\$ 198,804
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	233,473	123,827
TOTAL BANK BALANCE	\$ 483,473	\$ 373,827
	2017	2016
Cash on deposit	\$ 447,144	\$ 198,804
Cash on hand	725	725
TOTAL	\$ 447,869	\$ 199,529

The District does not have a formal deposit policy for custodial credit risk.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District 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.

The Act authorizes the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances, obligations of the U.S. 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 Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie 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; and shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

Fair Value of Investments: 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:

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

- *Level 1* – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.
- *Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit.
- *Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of December 31, 2017, the District had the following investments:

Investment Type	Fair Value	Fair Value Measurement Classification		
		Level 1	Level 2	Level 3
Utah Public Treasurer's Investment Fund (PTIF)	21,930,899	-	21,930,899	-
Cash & cash equivalents	20,304	20,304	-	-
Federal agency bonds	1,591,070	1,591,070	-	-
Corporate bonds	1,400,349	-	1,400,349	-
Other fixed income securities	1,006,694	1,006,694	-	-
Total investments	\$ 25,949,316	\$ 2,618,068	\$ 23,331,248	\$ -

Interest Rate Risk—Investments: 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 interest rate risk is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. 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; an bonds, notes and other evidence of indebtedness of political subdivisions of the State to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

As of December 31, 2017 and 2016, the District had the following investments and maturities:

Investment Type	Fair Value	December 31, 2017			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund (PTIF)	21,930,899	21,930,899	-	-	-
Cash & cash equivalents	20,304	20,304	-	-	-
Federal agency bonds	1,591,070	1,591,070	-	-	-
Corporate bonds	1,400,349	1,400,349	-	-	-
Other fixed income securities	1,006,694	1,006,694	-	-	-
Total investments	\$ 25,949,316	\$ 25,949,316	\$ -	\$ -	\$ -

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

December 31, 2016

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's Investment Fund (PTIF)	18,352,254	18,352,254	-	-	-
Total investments	<u>\$ 18,352,254</u>	<u>\$ 18,352,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk of Debt Securities: 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.

The District had the following investments and quality ratings as of December 31, 2017 and 2016:

December 31, 2017

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	21,930,899				21,930,899
Cash & cash equivalents	20,304	20,304			
Federal agency bonds	1,591,070	1,591,070			
Corporate bonds	1,400,349		1,400,349		
Other fixed income securities	1,006,694		1,006,694		
Total investments	<u>\$ 25,949,316</u>	<u>\$ 1,611,374</u>	<u>\$ 2,407,043</u>	<u>\$ -</u>	<u>\$ 21,930,899</u>

December 31, 2016

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	18,352,254				18,352,254
Total investments	<u>\$ 18,352,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,352,254</u>

Custodial Credit Risk—Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk.

Concentration of Credit Risk—Investments: 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 the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

3. EXTERNAL INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Funds held in the PTIF by the District are considered cash equivalents due to their liquidity and the average maturity of the pool's investments.

4. REIMBURSABLE COSTS

The District incurred costs associated with the installation of lateral lines for several property owners that had previously been using septic tanks. The District will bill the property owner for these costs by amortizing the total costs over a period of thirty years. However, if a property owner sells or changes title to the property, the entire balance owed to the District at that time is due immediately. These costs were funded without any associated interest being charged to the property owners. The present value of the amount owed to the District would be less if the District were to impute an interest rate and discount the balance due. However, the District believes that the difference from the present carrying value and the estimated amount discounted for an imputed interest rate is immaterial.

5. JOINT VENTURE

In 2017, the District entered into a joint venture with ALPRO SD, LLC ("ALPRO"), a Utah limited liability company to construct a project to jointly-owned by the District and ALPRO. The project consists of facilities for handling, treatment and processing through anaerobic digestion, and resource recovery, of solid waste consisting primarily of organic matter. The District and ALPRO each own an undivided 50 percent interest in the Resource Recovery Project as tenants in common. Operations of the jointly owned project are managed by Wasatch Resource Recovery, LLC ("WRR"), a Utah limited liability company. The District has a 50 percent member interest in WRR. At December, 31, 2017, the District's investment in WRR represents amounts contributed to WRR less the District's equity in earnings (losses) for the period ended December 31, 2017.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2017, are as follows:

	<u>12/31/2016</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2017</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ -	\$ 3,148,863
Construction in progress	136,663	13,136,238	-	13,272,901
Infrastructure:				
Sewer treatment facility and collection system	70,223,213	2,364,011	-	72,587,224
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,654,039)	(19,548)	-	(13,673,587)
Total nondepreciable capital assets	<u>59,854,700</u>	<u>15,480,701</u>	<u>-</u>	<u>75,335,401</u>
Depreciable capital assets:				
Machinery and equipment	1,752,573	90,407	-	1,842,980
Mobile equipment	3,806,482	379,237	(500,086)	3,685,633
Office furniture and equipment	391,042	70,766	-	461,808
Total depreciable capital assets at historical cost	<u>5,950,097</u>	<u>540,410</u>	<u>(500,086)</u>	<u>5,990,421</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,311,323)	(83,622)	-	(1,394,945)
Mobile equipment	(1,761,077)	(198,728)	49,459	(1,910,346)
Office furniture and equipment	(478,982)	(21,432)	-	(500,414)
Total accumulated depreciation	<u>(3,551,382)</u>	<u>(303,782)</u>	<u>49,459</u>	<u>(3,805,705)</u>
Depreciable capital assets, net	<u>2,398,715</u>	<u>236,628</u>	<u>(450,627)</u>	<u>2,184,716</u>
Total capital assets, net	<u>\$ 62,253,415</u>	<u>\$ 15,717,329</u>	<u>\$ (450,627)</u>	<u>\$ 77,520,117</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

The changes in capital assets for the year ended December 31, 2016, are as follows:

	<u>12/31/2015</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2016</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ -	\$ 3,148,863
Construction in progress	85,874	59,084	(8,295)	136,663
Infrastructure:				
Sewer treatment facility and collection system	69,862,339	360,874	-	70,223,213
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,635,441)	(18,598)	-	(13,654,039)
Total nondepreciable capital assets	<u>59,461,635</u>	<u>401,360</u>	<u>(8,295)</u>	<u>59,854,700</u>
Depreciable capital assets:				
Machinery and equipment	1,663,847	88,726	-	1,752,573
Mobile equipment	3,473,932	637,906	(305,356)	3,806,482
Office furniture and equipment	355,014	36,028	-	391,042
Total depreciable capital assets at historical cost	<u>5,492,793</u>	<u>762,660</u>	<u>(305,356)</u>	<u>5,950,097</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,219,430)	(91,893)	-	(1,311,323)
Mobile equipment	(1,611,514)	(199,883)	50,320	(1,761,077)
Office furniture and equipment	(462,702)	(16,280)	-	(478,982)
Total accumulated depreciation	<u>(3,293,646)</u>	<u>(308,056)</u>	<u>50,320</u>	<u>(3,551,382)</u>
Depreciable capital assets, net	<u>2,199,147</u>	<u>454,604</u>	<u>(255,036)</u>	<u>2,398,715</u>
Total capital assets, net	<u>\$ 61,660,782</u>	<u>\$ 855,964</u>	<u>\$ (263,331)</u>	<u>\$ 62,253,415</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

7. NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended December 31, 2017 and 2016 is as follows:

<u>December 31, 2017</u>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds Payable	-	20,748,437	-	20,748,437	-
Compensated absences	488,321	267,463	(211,776)	544,008	45,000
Net pension liability	1,485,456	135,552	-	1,621,008	-
Total investments	\$ 1,973,777	\$ 21,151,452	\$ (211,776)	\$ 22,913,453	\$ 45,000

<u>December 31, 2016</u>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	475,097	225,000	(211,776)	488,321	25,000
Net pension liability	893,518	591,938	-	1,485,456	-
Total investments	\$ 1,368,615	\$ 816,938	\$ (211,776)	\$ 1,973,777	\$ 25,000

Compensated absences

The District's employee benefits policy allows employees to accumulate benefits for unused compensated, vacation, and sick leave time to be paid upon termination or retirement.

Series 2017A Revenue Bonds

The Series 2017 Bonds were issued for the purpose of (a) financing a portion of the cost of acquisition and construction of a project to jointly-owned by the District and ALPRO SD, LLC, a Utah limited liability company ("ALPRO"), consisting of facilities for handling, treatment and processing through anaerobic digestion, and resource recovery, of solid waste consisting primarily of organic matter, and (b) paying costs of issuance of the Series 2017 Bonds. The District and ALPRO each own an undivided 50 percent interest in the Resource Recovery Project as tenants in common.

The Series 2017 Bonds will be payable and secured solely by a pledge and assignment of the Revenues from the Combined Utility System and monies on deposit in the funds and accounts held by the Trustee.

The District covenants and agrees to establish, fix, prescribe and collect rates, charges and fees for the sale or use of the service or capacity that are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement of 125% of Annual Aggregate Debt Service for the forthcoming fiscal year.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

The Series 2017 Bonds bear interest from their dated date at the rates set forth as follows:

Maturity (December 1)	Interest Rate	On Principal Amount of
2019	3.000%	\$ 800,000
2020	3.000%	825,000
2021	3.000%	850,000
2022	3.000%	875,000
2023	3.250%	900,000
2024	3.375%	930,000
2025	3.500%	960,000
2026	3.625%	995,000
2027	4.125%	1,030,000
2028	4.125%	1,075,000
2029	4.125%	1,120,000
2030	4.125%	1,165,000
2031	4.125%	1,215,000
2032	4.125%	1,260,000
2033	4.500%	1,315,000
2034	4.500%	1,375,000
2035	4.500%	1,435,000
2036	4.500%	1,500,000
2037	4.500%	1,570,000
		\$ 21,195,000

The following table shows the remaining annual debt service requirements for the Series 2017 Bonds:

Year (ending December 1)	Principal	Interest	Total
2017	\$ -	\$ 451,461	\$ 451,461
2018	-	837,763	837,763
2019	800,000	837,763	1,637,763
2020	825,000	813,763	1,638,763
2021	850,000	789,013	1,639,013
2022	875,000	763,513	1,638,513
2023	900,000	737,263	1,637,263
2024	930,000	708,013	1,638,013
2025	960,000	676,625	1,636,625
2026	995,000	643,025	1,638,025
2027	1,030,000	606,956	1,636,956
2028	1,075,000	564,469	1,639,469
2029	1,120,000	520,125	1,640,125
2030	1,165,000	473,925	1,638,925
2031	1,215,000	425,869	1,640,869
2032	1,260,000	375,750	1,635,750
2033	1,315,000	323,775	1,638,775
2034	1,375,000	264,600	1,639,600
2035	1,435,000	202,725	1,637,725
2036	1,500,000	138,150	1,638,150
2037	1,570,000	70,650	1,640,650
	\$ 21,195,000	\$ 11,225,196	\$ 32,420,196
Unamortized Discounts	(446,563)		
Bonds payable, Net	\$ 20,748,437		

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

8. PENSION PLANS

General Information about the Pension Plan

Plan description: Eligible Plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost sharing, retirement systems.
- 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.

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 Utah State Retirement 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 benefits 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 website: www.urs.org.

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

Summary of Benefits by System

<u>System</u>	<u>Final Average</u>	<u>Years of Service Required and/or Age Eligibility for</u>	<u>Benefit Percentage per Year of Service</u>	<u>COLA**</u>
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%
Contributory System	Highest 5 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years any age 60* 10 years any age 62* 4 years age 65	1.50% per year all years	Up to 2.5%

* With actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is 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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Contribution Rate Summary

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 Utah State Retirement 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 December 31, 2017 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
11 Local Governmental Div - Tier 1	6.00%	14.46%	N/A
111 Local Governmental Div - Tier 2	N/A	15.11%	1.58%
Noncontributory System			
15 Local Governmental Div - 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 accrued liability of the Tier 1 plans.

For fiscal year ended December 31, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 304,458	N/A
Contributory System	45,494	-
Tier 2 Public Employee Systems	20,194	-
Total Contributions	\$ 370,146	\$ -

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2017, we reported a new pension asset of \$- and a net pension liability of \$1,621,008.

	(Measurement Date): December 31, 2016			Proportionate Share	Change
	Net Pension Asset	Net Pension Liability	Proportionate Share		
	Dec 31, 2015	(Decrease)			
Noncontributory System	\$ -	\$ 1,194,274	0.1859885%	0.1773809%	0.0086076%
Contributory System	\$ -	\$ 425,557	1.2969910%	0.6854172%	0.6115738%
Tier 2 Public Employees System	\$ -	\$ 1,177	0.0105558%	0.0067634%	0.0037924%
	\$ -	\$ 1,621,008			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, 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 December 31, 2017, we recognized pension expense of \$415,510.

At December 31, 2017, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,941	\$ 36,662
Changes in assumptions	162,078	38,978
Net difference between projected and actual earnings on pension plan investments	467,970	131,977
Changes in proportion and differences between contributions and proportionate share of contributions	43,945	-
Contributions subsequent to the measurement date	370,146	-
	\$ 1,070,080	\$ 207,617

\$370,146 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	\$ 161,104
2018	162,487
2019	179,466
2020	(11,120)
2021	29
Thereafter	353

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Actuarial assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.50 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvements in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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 and is applied consistently to each defined benefit pension plan. 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:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	7.06%	2.82%
Debt securities	20.00%	0.80%	0.16%
Real assets	13.00%	5.10%	0.66%
Private equity	9.00%	11.30%	1.02%
Absolute return	18.00%	3.15%	0.57%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Discount rate: The discount rate used to measure the total pension liability was 7.20%. 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 was reduced to 7.20% from 7.50% from the prior measurement period.

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 7.20%, 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 (6.20%) or 1 percentage-point higher (8.20%) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 2,473,746	\$ 1,194,274	\$ 126,624
Contributory System	1,024,463	425,557	(78,960)
Tier 2 Public Employee System	8,015	1,177	(4,024)
Total	\$ 3,506,224	\$ 1,621,008	\$ 43,640

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

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.

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended December 31, were as follows:

	2017	2016	2015
401(k) Plan			
Employer Contributions	\$ 38,445	\$ 37,657	\$ 30,405
Employee Contributions	\$ 126,220	\$ 136,180	\$ 114,260
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 33,510	\$ 25,800	\$ 23,200
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 14,847	\$ 15,020	\$ 15,860

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

9. PROPERTY TAX CALENDAR

The District's property tax calendar is as follows:

Lien date.....	Jan. 1
District notifies the County of date, time, and place of public hearings.....	Mar. 1
County Auditor sends valuation, certified tax rate and levy worksheets to District.	Jun. 8
District must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor.	Before Jun. 22
District adopts a final tax rate.	Jun. 22
District adopts final budget.	Dec. 4
Copy of the budget is submitted to State Auditor	Within 30 days of adoption.

10. IMPACT FEES

The District collects connection fees that are defined as impact fees. The District must expend these impact fees on capital expenditures relating to the infrastructure of the District. Impact fees collected in respect of the District's existing wastewater treatment facilities are not restricted to future capital expenditures, but may be used for any purpose of the District. The District had impact fee reserves of \$-0- at December 31, 2017 and 2016, respectively. Revenues from impact fees were \$589,843 and \$592,322 for the year ended December 31, 2017 and 2016, respectively.

REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2017

In accordance with *GASB Statement No. 34*, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets of the wastewater collection system and treatment plant facilities. Infrastructure assets are capital assets which normally are stationary in nature and can be preserved for significantly more years than other capital assets. The District's major infrastructure system consists of the collection system and treatment plant facilities, and it can be divided into subsystems such as trunk lines, collection lines, manholes, lift stations, plant facilities, and other appurtenances. Subsystem details are not presented in the basic financial statements. However, the District maintains detailed information on these subsystems.

The District has elected to use the Modified Approach as defined by *GASB Statement No. 34* for infrastructure reporting for its collection system and treatment plant facilities. Under *GASB Statement No. 34*, eligible infrastructure capital assets are not required to be depreciated if the following requirements are met:

1. The District manages the eligible infrastructure capital assets using an asset management (AMP) system meeting the following minimum requirement: (A) have up-to-date inventory records, (B) perform condition assessments at least once every three years and summarize the results using a measurement scale, and (C) estimate annual amount to maintain and preserve at the established condition assessment level.
2. The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Using the Modified Approach, both preservation and maintenance costs are expensed and only those costs for additions and improvements must be capitalized.

The District makes use of a physical condition assessment of its collection system and treatment plant facilities that began January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with *GASB Statement No. 34*. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2016 according to *GASB Statement No. 34*. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 377.97 miles (1,995,696 feet) of sewer lines, 8,926 sections of line, 8,650 manholes, 11 lift stations, and 2 treatment plant facilities which collect and treat up to 16 million gallons per day (MGD) of wastewater.

Approximately 13% of the District's collection system was cleaned and 12% was inspected by closed circuit television (CCTV) in 2017 (see Collection System GIS TV and Cleaning Maps in this section).

The District expended \$782,817 on maintenance or preservation of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2016. These expenses add service life to capital assets. A study by the Iowa Department of Transportation reported that for every dollar of preventative maintenance spent in the first 10 years of an asset, \$4-5 will be saved over the next 10 years. The District has an aggressive asset management program to prolong the useful life of its capital assets.

The District is using trenchless technology or cured in place pipe (CIPP) as a means of being more efficient in repairing and maintaining the sewer collection system. CIPP equipment, resin, and liners are used to complete rehabilitation projects of the collection system. The collection system operators performed 19,43 and 27 rehabilitation projects for CIPP on sewer lateral lines in 2017, 2016 and 2015 respectively for a total cost of \$12,570 in 2017, \$24,657 in 2016 and \$14,353 in 2015

The District developed condition grade scales to provide a means of rating the assets during each condition assessment. The assets are assessed for several possible defects which are assigned a relative weight. Those weights are then normalized to sum to one (100%). The assigned condition grade score for each possible defect is multiplied by the normalized relative weight to yield a weighted defect score. The weighted defect scores are totaled for each asset yielding a total asset rating that will range from 1 to 5. The Total Asset Ratings (TAR) and corresponding Levels of Service are

summarized in the following table. The District has set a minimum service level of 3 (moderate/fair) for all infrastructure assets.

Asset	North Plant	South Plant	Collection System
Barscreen	1	1	
Pump Station #1	1	1	
Grit Removal	1	1	
Primary Clarifiers	1	1	
Trickling Filters	1	1	
Pump Station #2	1	1	
Secondary Clarifiers	1	1	
Raw Sludge Pump Station	1	1	
Chlorination System	1	1	
Gravity Thickener	1	1	
Digester	2	2	
Sludge Drying Beds	1	1	
Operations Building	1	1	
CS Garages	1	1	
Maintenance Shop	1	1	
Office Building	2	2	
Yard Piping	1	1	
Electrical	1	1	
Cogeneration	5	5	
Utility Water System	1	1	
Chemical Feed Ferric & Polymer	1	1	
Site Work (Paving, etc)	2	2	
Foxboro Lift Station			1
Mountain View Lift Station			1
Sheep Road Lift Station			3
Outdoor Rec Lift Station			1
1100 North Lift Station			1
Legacy Trials Lift Station			1
Birnam Woods Lift Station			1
North Pointe Lift Station			1
Eaglewood Village Lift Station			1
Porter Lane Lift Station			1
Pages Lane Lift Station			1
6" Sewer Pipe			2
8" Sewer Pipe			2-3
10" Sewer Pipe			2-3
12" Sewer Pipe			2-3
15" Sewer Pipe			2-3
18" Sewer Pipe			2-3
21" Sewer Pipe			2-3
24" Sewer Pipe			2-3
27" Sewer Pipe			2-3
30" Sewer Pipe			2-3
33" Sewer Pipe			2-3
36" Sewer Pipe			2-3
42" Sewer Pipe			2-3
48" Sewer Pipe			2-3

<u>Level of Service</u>	=	<u>Total Asset Rating</u>
1 – Very Good	=	1.0<TAR<1.5
2 – Good	=	1.5<TAR<2.5
3 – Moderate/Fair	=	2.5<TAR<3.5
4 – Poor	=	3.5<TAR<4.5
5 – Very Poor	=	4.5<TAR

In 2017, the District performed 660 condition assessments of line segments for the collection system, calculated in accordance with *GASB Statement No. 34* guideline. The District also performed an assessment of both treatment plant facilities, 1,479 manholes, and 11 lift stations. The condition assessment of the 1,108 line segments identified 32 deficiencies in line segments and 20 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2017. Each treatment plant had a deficiency identified in its respective cogeneration (cogen) system. The cogen systems are still being evaluated for a cost effective solution. All 11 lift stations and the remainder of the infrastructure assets were at or above the minimum service level. These results were within the estimated expectations of the District.

The following condition assessments were noted:

- The cogen systems have been taken out of service due to problems with siloxane and digester gas and will remain out of service until a cost effective solution is found.
- The condition of the Cogen facility itself is excellent (1).

The next condition assessment sample is scheduled for 2019.

The actual amounts the District expended on rehabilitation of the collection system and treatment plant facilities over the current and past nine reporting periods are as follows:

2008	\$806,130
2009	\$636,685
2010	\$1,178,413
2011	\$728,027
2012	\$639,754
2013	\$653,441
2014	\$313,447
2015	\$515,366
2016	\$782,817
2017	\$557,777

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030 is estimated to be \$691,323 per year. This figure was arrived at by taking the average expenditures from 2008 to 2017 and adding 1.5% for inflation ($\$681,106 \times 0.015$).

Funds totaling \$1,040,000 are budgeted for fiscal year 2018 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$391,000	Collection System
\$649,000	Plant & Equipment Building

The amount estimated to achieve the minimal target conditional assessment was \$668,161 for 2017, and the actual cost was \$557,777. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

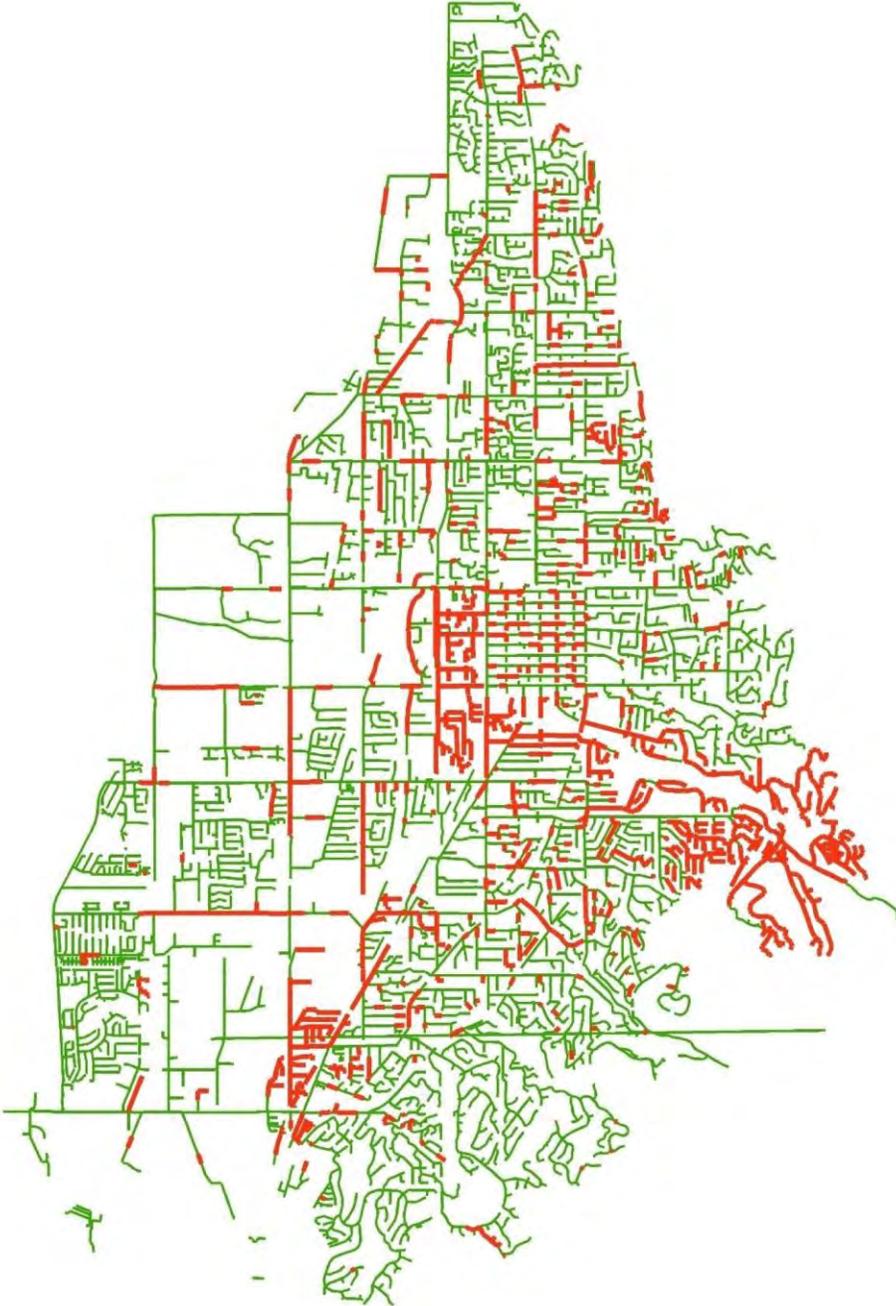
The Environmental Protection Agency (EPA) reports that much of the nation's infrastructure is deteriorating due to old age and lack of maintenance. Neglecting or deferring maintenance of an asset to the point of failure will cost more in the long run than carrying out routine maintenance.

SOUTH DAVIS SEWER DISTRICT

2017 COLLECTION SYSTEM STATISTICS

CLEANING

2015-2017

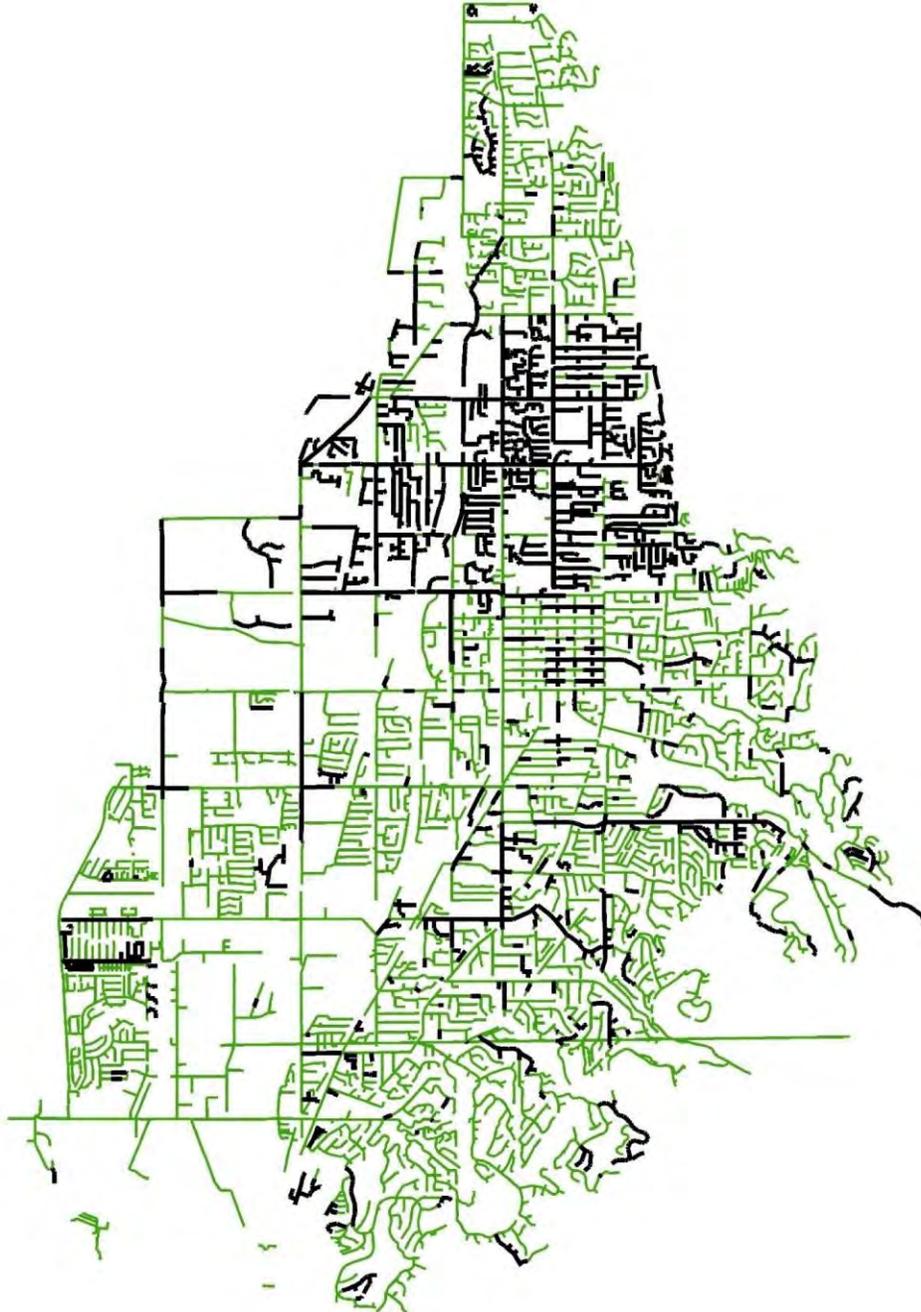


Pipe sections that were cleaned between 2015 and 2017 are shown above in red.

SOUTH DAVIS SEWER DISTRICT
2017 COLLECTION SYSTEM STATISTICS

TV INSPECTIONS

2015-2017



Pipe sections that were TV'ed between 2015 and 2017 are shown above in black.

SOUTH DAVIS SEWER DISTRICT

Schedule of Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability- Utah Retirement Systems For the Year Ended December 31, 2017 With a Measurement Date of December 31, 2016 Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31,

	2017	2016	2015
Proportion of net pension liability (asset)	0.1859885%	0.1773809%	0.1714837%
Proportionate share of the net pension liability (asset)	\$ 1,194,274	\$ 1,003,707	\$ 744,623
Covered employee payroll	\$ 1,703,079	\$ 1,579,894	\$ 1,504,734
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	70.12%	63.53%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	87.3%	87.8%	90.2%

Contributory System for the Fiscal Years Ended December 31,

	2017	2016	2016
Proportion of net pension liability (asset)	1.2969910%	0.6854172%	0.5162013%
Proportionate share of the net pension liability (asset)	\$ 425,557	\$ 481,749	\$ 148,895
Covered employee payroll	\$ 311,199	\$ 292,048	\$ 275,901
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	136.75%	164.96%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	92.9%	85.7%	94.0%

Tier 2 Public Employee System for the Fiscal Years Ended December 31,

	2017	2016	2016
Proportion of net pension liability (asset)	0.0105558%	0.0067634%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ 1,177	\$ (15)	\$ (242)
Covered employee payroll	\$ 86,566	\$ 43,693	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	100.2%	103.5%

* In accordance with paragraph 81.a of GASB 68, the District will need to disclose a 10 year history of its proportionate share of the net pension liability (asset) in its RSI. The District will continue to present information for available years until a full 10 year trend is compiled.

SOUTH DAVIS SEWER DISTRICT

Schedule of Required Supplementary Information Schedule of Contributions - Utah Retirement Systems December 31, 2017

	As of fiscal year ended December 31,*	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 267,149	\$ 267,149	\$ -	\$ 1,504,734	17.75%
	2015	288,938	288,938	-	1,579,894	18.29%
	2016	311,783	311,783	-	1,702,246	18.32%
	2017	304,458	304,458	-	1,659,575	18.35%
Contributory System	2014	\$ 38,303	\$ 38,303	\$ -	\$ 275,901	13.88%
	2015	42,230	42,230	-	292,048	14.46%
	2016	44,999	44,999	-	311,199	14.46%
	2017	45,494	45,494	-	314,619	14.46%
Tier 2 Public Employee System**	2014	\$ 5,676	\$ 5,676	\$ -	\$ 39,225	14.47%
	2015	6,521	6,521	-	43,693	14.92%
	2016	12,907	12,907	-	86,566	14.91%
	2017	20,194	20,194	-	134,222	15.05%

* Only fiscal years 2014-2016 were available. The District will continue to present information for available years until a 10-year trend is compiled.

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

SOUTH DAVIS SEWER DISTRICT

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2017

Changes in Assumptions:

The following actuarial assumptions were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2017

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 2,500,000	\$ 2,500,000	\$ 2,503,469	\$ 3,469
Sewer Special Treatment	80,000	100,000	205,292	105,292
Inspection Fees	6,000	6,000	11,076	5,076
Project Fees	15,000	30,000	23,200	(6,800)
Permit Fees	7,000	7,000	6,050	(950)
Sampling Fees	6,000	6,000	6,600	600
Lab Testing Fees	50,000	50,000	34,223	(15,777)
Taxable Sales	2,000	3,000	2,710	(290)
Misc Income	271,000	306,000	285,294	(20,706)
Total	\$ 2,937,000	\$ 3,008,000	\$ 3,077,914	\$ 69,914
Nonoperating Revenues				
Property Taxes	\$ 2,488,000	\$ 2,361,000	\$ 2,102,078	\$ (258,922)
Impact Fees	550,000	550,000	589,843	39,843
Delinquent Account Administration Fees	100,000	135,000	119,325	(15,675)
Interest	50,000	90,000	302,862	212,862
Surplus Property Sales	260,000	410,000	538,586	128,586
WQG Contributions	970,000	840,000	840,000	-
Reserves Transfer	235,000	13,223,461	12,227,280	(996,181)
Total	\$ 4,653,000	\$ 17,609,461	\$ 16,719,974	\$ (889,487)
Total Revenue	\$ 7,590,000	\$ 20,617,461	\$ 19,797,888	\$ (819,573)
EXPENSES				
Operating Expenses				
Operating Expenses	\$ 560,000	\$ 1,089,000	\$ 607,228	481,772
Utilities	350,000	328,000	334,911	(6,911)
Payroll and Benefits	3,082,000	4,111,000	4,022,952	88,048
Biosolid Disposal	20,000	20,000	30,300	(10,300)
No-Fault Sewer Back-up	25,000	25,000	24,237	763
Outside Services	762,000	623,000	592,228	30,772
Chemicals	320,000	430,000	452,887	(22,887)
Lab Testing	211,000	183,000	200,158	(17,158)
Transportation	48,000	55,000	55,908	(908)
Buildings & Grounds	74,000	69,000	33,780	35,220
Office & Computer	163,000	193,000	163,052	29,948
Insurance	53,000	95,000	95,073	(73)
Self Insurance Casualty	2,000	-	-	-
Audit & Accounting	19,000	28,000	15,000	13,000
Education & Training	42,000	40,000	63,799	(23,799)
Legal	-	-	-	-
Total	\$ 5,731,000	\$ 7,289,000	\$ 6,691,513	\$ 597,487

Continued next page

SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses, Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2017

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non Operating Expenses				
Capital Expenses				
Reserves Transfer	\$ -	\$ -	-	-
Outfall/Sewer Lines	911,000	-	-	-
Operating Equipment	134,000	44,000	3,251	40,749
Building and Facilities	77,000	12,100,000	12,542,326	(442,326)
Mobile Equipment	580,000	580,000	379,237	200,763
Major Equipment & Engineering	100,000	100,000	-	100,000
Office Equipment	57,000	53,000	70,766	(17,766)
Other				
Bond Legal and Costs	-	-	483,601	(483,601)
Debt Service Interest	-	451,461	521,274	(69,813)
Total	\$ 1,859,000	\$ 13,328,461	\$ 14,000,455	\$ (671,994)
-				
Total Expenses	\$ 7,590,000	\$ 20,617,461	\$ 20,691,968	\$ (74,507.01)
-				
-				
Excess of Revenue over Expenses	\$ -	\$ -	\$ (894,080)	\$ (894,080)

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
For the Year Ending December 31, 2017

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Eaglewood Village	Lot 304	1/12/2017	\$ 1,596.00	
Porton Walton Townhomes	Lots 205,205,206,207,208	1/16/2017	7,980.00	
Eaglewood Village	Lots 315 & 316	1/24/2017	3,192.00	
Stone Springs	Lots 3 & 4	1/25/2017	3,192.00	
				\$ 15,960.00
Riverbend Industrial Park	Lot 19	2/16/2017	\$ 2,553.60	
Odell Crossing	12 Units	2/14/2017	14,364.00	
Centerville Gateway	Lot 2	2/14/2017	2,633.40	
Woods Crossing	Lot 12	2/17/2017	8,618.40	
Woods Crossing	Lot 11	2/17/2017	4,468.80	
Porter Walton Townhomes	Lots 625-628	2/24/2017	6,384.00	
Foxboro Market Place	Lot 3	2/23/2017	3,431.40	
				\$ 42,453.60
Odell Crossing	22 Units	3/2/2017	\$ 35,112.00	
Eagle Pointe	Lot 1810	3/1/2017	1,596.00	
Barlow Amd	Lot 12	3/2/2017	1,596.00	
Towne Plaza Twinhomes	Lots 102 & 114	3/3/2017	3,192.00	
Woods Crossing	Lot 13	3/3/2017	6,144.60	
Eagle Pointe	Lot 1807	3/7/2017	1,596.00	
Towne Plaza Twinhomes	Lot 103	3/9/2017	1,596.00	
Lewis Park	Lot 502	3/13/2017	1,596.00	
Miles Manor	Lot 2	3/13/2017	1,596.00	
Lewis Park	Lot 706	3/14/2017	1,596.00	
Wasatch Meadows	Lot 12	3/15/2017	1,596.00	
Chesham Village PUD	Lot 107 & 108	3/16/2017	3,192.00	
Legacy Trails Subdivision	Bldgs 4 & 5	3/16/2017	76,608.00	
Chesham Village PUD	Lots 109 -111	3/16/2017	4,788.00	
Ruth Estates	Lot 5	3/27/2017	1,596.00	
Foxboro Market Place	Lot 2	3/28/2017	3,910.20	
Devil Creek	Lot 1	3/28/2017	1,596.00	
				\$ 148,906.80
Island Views	Lots 6, 9, 13 & 16	4/3/2017	\$ 6,384.00	
Vista View A	Lot 19	4/3/2017	1,596.00	
Eaglewood Village	Lot 320	4/11/2017	1,596.00	
McKean Estates	Lot 3	4/14/2017	1,596.00	
Eagle Pointe	Lot 1518	4/17/2017	1,596.00	
Stringham Farms	Lot 4	4/19/2017	1,596.00	
Towne Plaza Twinhomes	Lots 107 & 113,	4/25/2017	3,192.00	
WV Commercial Sub	Lot 8	4/27/2017	2,327.94	
			-	\$ 19,883.94
Porton Walton Townhomes	Lots 101 - 104	5/4/2017	\$ 6,384.00	
Val Verda Meadows	Lot 2	5/5/2017	1,596.00	
Pages Lane	Lots 1-4	5/8/2017	6,384.00	
Trials End Sub	Lot 2	5/11/2017	1,596.00	
Eaglewood Village	Lot 18	5/18/2017	1,596.00	
				\$ 17,556.00
Pages Hollow	Lots 5 - 10	6/8/2017	\$ 9,576.00	
Williamsburg Place	Lot 1	6/12/2017	1,596.00	
Chesham Village PUD	Lots 112 - 116	6/16/2017	7,980.00	
Town Plaza Townhomes	Lots 108 - 109	6/16/2017	3,192.00	
Val Verda Meadows	Lot 6	6/19/2017	1,596.00	
Eaglepoint Estates	Lots 1313 - 1316	6/23/2017	6,384.00	
Edgewood Est	Lots 35a, 35b	6/23/2017	3,192.00	
Ford Canyon Est	Lot 405	6/26/2017	1,596.00	
Eaglewood Village	Lot 311	6/28/2017	1,596.00	
Legacy Crossing	1205 W 200 W Centerville	6/28/2017	2,314.20	
Woods Crossing	Lots 6 - 7	6/29/2017	7,501.20	
				\$ 46,523.40
Town Plaza Townhomes	Lot 115	7/3/2017	\$ 1,596.00	
Chesham Village PUD	Lots 123 - 127	7/3/2017	7,980.00	
Havenwood Homes	258 E 400 S Bountiful	7/5/2017	1,596.00	
Evergreen Business Park	Lot 8	7/11/2017	798.00	
Knighton Court	Lot 6	7/12/2017	1,596.00	
Eaglewood Village	Lot 323	7/11/2017	1,596.00	
Milestone PUD	Lot 102	7/14/2017	2,766.40	
Odell Crossing	Lots 23-32	7/12/2017	15,960.00	
Riverbend Industrial Park	Lots 17 - 18	7/19/2017	4,947.60	
Eaglewood Village	Lot 309	7/17/2017	1,596.00	
Milestone PUD	Lot 101	7/19/2017	3,130.40	
Sycamore Grove PUD	Lots 1 - 2	7/28/2017	3,192.00	
Pages Hollow	Lots 111 - 114	7/28/2017	6,384.00	
Brighton Homes	74 E 300 S Centerville	7/28/2017	1,596.00	
				\$ 54,734.40

Henry Walker Homes	503 S Parkview Dr	8/8/2017	\$ 1,596.00
Henry Walker Homes	226 & 210 Ridgeline Way	8/8/2017	3,192.00
Skypark Industrial Park	Lot 63	8/9/2017	1,596.00
Stringham Farms	Lot 6	8/22/2017	1,596.00
Chesham Village PUD	Lots 101 - 106	8/22/2017	9,576.00
Eggett Estates	Lot 30	8/24/2017	1,596.00
Cottage on the Corner	Lots 1 -5	8/24/2017	7,980.00
Eaglepoint Estates	Lot 1219	8/24/2017	1,596.00
Fowler Estates	Lot 1	8/28/2017	1,596.00
Eaglewood Village	Lot 321	8/28/2017	1,596.00
Duncan Hill	Lot 3	8/31/2017	1,596.00
			\$ 33,516.00
Towne Plaza Twinhomes	Lots 112 - 116	9/6/2017	\$ 3,192.00
Eaglewood Village	Lot 216	9/12/2017	1,596.00
Eaglewood Village	Lot 4	9/13/2017	1,596.00
Stringham Farms	Lot 2	9/14/2017	1,596.00
Heritage Point	Lot 29	9/15/2017	1,596.00
Sycamore Grove PUD	Lots 3-4	9/22/2017	3,192.00
Eaglewood Village	Lots 306 & 313,314	9/18/2017	4,788.00
Ranches Lake	Lot 14	9/22/2017	1,596.00
Stringham Farms	Lot 1	9/18/2017	1,596.00
Chesham Village PUD	Lots 117-122	9/21/2017	9,576.00
Foxboro Market Place	Lot 3	9/26/2017	4,548.60
Eaglewood Village	Lot 3	9/29/2017	1,596.00
			\$ 36,468.60
Outdoor Rec Outlet	Lot 4-c	10/2/2017	\$ 6,543.60
Towne Plaza Twinhomes	Lot 5	10/5/2017	1,596.00
Enclave PUD	Lots 4-5	10/6/2017	3,192.00
Quick Quack Car Wash	518 N 400 W Centerville	10/6/2017	1,233.40
Chapel Ridge Cove	Lot 5	10/11/2017	1,596.00
Towne Plaza Twinhomes	Lot 11	10/11/2017	1,596.00
Chitose Johnson Sub	Lots 3,4,9	10/17/2017	4,788.00
IHC Medical Center	390 N Main St Bountiful	10/17/2017	29,127.00
Eaglewood Village	Lots 305,307,308	10/18/2017	4,788.00
Island Views	Lot 11	10/18/2017	1,596.00
Eaglewood Village	Lot 322	10/24/2017	1,596.00
			\$ 57,652.00
Chesham Village PUD	Lots 128-138	11/3/2017	\$ 17,556.00
Dance Studio	3381 S Main St Bountiful	11/6/2017	987.60
Oakdell Egg Farm	675 N Main St NSL	11/6/2017	558.60
WX Public Utilities Bdg	1555 S 800 W WX	11/17/2017	9,256.00
Eaglepoint Estates	Lot 1213	11/13/2017	1,596.00
Hepworth Investment Group	390 W 200 N Bountiful 15 Units	11/13/2017	22,344.00
Franklin Farms	Lot 207	11/13/2017	1,596.00
Woods Crossing	Lot 5a	11/13/2017	7,261.80
Sycamore Grove PUD	Lots 5-6	11/14/2017	3,192.00
Oakhollow View	Lot 5	11/22/2017	1,596.00
Eaglepoint Estates	Lot 1805	11/27/2017	1,596.00
Bella Vida	Lots 19,20,49	11/28/2017	4,788.00
			\$ 72,328.00
Chesham Village PUD	Lots 147-151	12/1/2017	\$ 7,980.00
Eaglepoint Estates	Lot 1323	12/7/2017	1,596.00
Town Plaza Townhomes	Lot 207	12/7/2017	1,596.00
Chest Point	Lot 2003	12/7/2017	1,596.00
Eaglepoint Estates	Lot 1516	12/12/2017	1,596.00
Havenwood Homes	Lots 20-23 , 25-28 , 32-35, 37-38	12/13/2017	22,344.00
Havenwood Homes	Lots 29&31	12/13/2017	3,192.00
Eaglepoint Estates	Lot 1307	12/19/2017	1,596.00
Gunther Sub	Lot 3	12/27/2017	1,596.00
Muir Elementary School	2275 S Davis Blvd Bountiful	12/28/2017	1,675.80
LuPuenta Resturant	118 W Parish Ln Centerville	12/28/2017	718.20
			\$ 45,486.00

Grand Total	\$ 591,468.74
GL Adjustment	\$ (1,626.00)
GL Adjusted Total	\$ 589,842.74

Source: District accounting records, Zions Public Finance impact fee study and Resolution 136.

Note: Because of the nature of providing wastewater collection and treatment, facilities are always built in anticipation of growth. Impact fees are therefore collected in arrears and are used to reimburse the District's capital account. Therefore, no schedule for impact fees for expenditures is available since they are considered expended as soon as they are collected. See the statistical section for capital expenditures. Utah Code 11-36-301, states that a local political subdivision collecting impact fees are required to submit to the State Auditor a report that identifies: 1) *Impact fee funds by the year in which they are received,* 2) *The project from which the funds are collected,* 3) *The capital project for which the funds were budgeted,* 4) *The project schedule for expenditure*

The District's impact fee was \$1,456 per residence or residential equivalent (EDU) from January 1, 2012 to September 20, 2012. This impact fee was increased to \$1,596 per EDU beginning September 20, 2012.

This increase was the result of a impact fee analysis performed by Zions Public Finance.

The capital facility plan was performed based upon Utah State Code; 11-36a-102

The Board of Trustees passed and adopted Resolution 136-2012 in conjunction with a public hearing that was held on June 21, 2012

The effective date for Resolution 136-2012 was September 21, 2012.

Adjustment was a refund to Oakwood Homes, 7/6/17 account # 18625, claim # 18251, adjustment # A17-0888

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
Last Ten Years

Year Collected	Impact Fee	Interest	Total
2008	\$ 1,113,553	\$ 36,052	\$ 1,149,605
2009	605,482	6,340	611,822
2010	285,462	1,425	286,887
2011	712,027	4,054	716,081
2012	957,351	4,756	962,107
2013	1,029,824	5,149	1,034,973
2014	868,201	4,341	872,542
2015	4,572,028	22,860	4,594,888
2016	592,322	2,962	595,283
2017	589,843	2,949	592,792
Total	\$ 11,326,092	\$ 90,889	\$ 11,416,981

Source: District accounting records, impact fee study, and Resolution 36.

Note: Because of the nature of providing wastewater collection and treatment, facilities are always built in anticipation of growth. Impact fees are therefore collected in arrears and are used to reimburse the District's capital account. Therefore, no schedule for impact fee expenditures is available since they considered expended as soon as they are collected. See statistical section for capital expenditures. In 2012, the District did an analytical review on impact fee costs based upon changes in the Utah Code, Sections 11-36-100 to 11-36-300. The District's impact fee is \$1,596.00 per EDU. The impact fee changed from \$1,456 to \$1,596 (September 2012) as a result of the analysis.



South Davis Sewer District
Local Government

December 31, 2017
Fiscal or Calendar Year Ending

Certification of Impact Fee Report

In compliance with section 11-36-301, Utah Code, as amended, which states in affect:

“Each local political subdivision collecting impact fees shall: . . . establish a report that: (a) identifies impact fee funds by the year in which they were received, the project from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditure; (b) is in a format developed by the state auditor; (c) is certified by the local political subdivision’s chief financial officer; and (d) is transmitted annually to the state auditor.”

I, the undersigned, certify that the attached impact fees report is a true, correct and complete copy of the report of impact fees on hand at fiscal/calendar year ending December 31, 2017 and their scheduled intended use.



Chief Financial Officer

South Davis Sewer District
Local Government

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

This part of the South Davis Sewer District's Comprehensive Annual Financial Report presents information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Effective January 1, 2006, the District adopted the Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section, An Amendment of NCGA Statement 1*, GASB 44 provides the requirements for the schedules contained in this section of the District's CAFR.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	81
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	83
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	92
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	96
Operating Information <i>These schedules contain service and infrastructure data to assist the reader understands how the information in the District's financial report relates to the service the District provides and the activities it performs.</i>	105

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

SOUTH DAVIS SEWER DISTRICT
Statement of Net Position
Last Ten Fiscal Years
(Unaudited)

Schedule 1

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	'2017	2016	'2015	2014	2013	'2012	2011	2010	'2009	'2008
Assets										
Current & Other Assets	\$ 7,042,181	\$ 19,629,290	\$ 19,562,221	\$ 15,739,177	\$ 15,524,487	\$ 15,281,822	\$ 15,482,994	\$ 16,953,319	\$ 18,890,833	\$ 18,335,962
Restricted Assets	16,200,816			-	-	-	-	-	-	-
Capital & Noncurrent Assets - (Net of related debt)	82,053,079	62,622,006	61,735,456	60,919,692	59,235,406	55,347,168	53,226,384	51,825,817	49,820,787	48,590,268
Total Assets	\$ 105,296,076	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869	\$ 74,759,893	\$ 70,628,990	\$ 68,709,378	\$ 68,779,136	\$ 68,711,620	\$ 66,926,230
Deferred Outflows of Resources	1,070,080.00	900,460.00	361,388.00	-	-	-	-	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065							
Liabilities										
Current Liabilities	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292	\$ 354,546	\$ 182,958
Non-Current Liabilities	22,868,453	1,948,777	1,343,615	403,555	381,180	373,624	370,027	311,618	304,622	273,862
Total Liabilities	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524	\$ 639,910	\$ 659,168	\$ 456,820
Deferred Inflows of Resources	207,617	128,199	127,979							
Total Liabilities & Deferred Inflows of Resources	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914							
Net Position:										
Net Investment in Capital Assets (Net of related debt)	\$ 56,736,773	\$ 62,253,415	\$ 61,660,782	\$ 60,838,477	\$ 59,235,406	\$ 55,347,168	\$ 53,226,384	\$ 51,825,817	\$ 49,820,787	\$ 48,590,268
Restricted	16,200,815									
Unrestricted (deficit)	9,535,817	18,298,741	18,123,369	15,086,330	14,657,204	14,473,427	14,659,470	16,313,409	18,231,665	17,879,142
Total Net Position	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410

Source: District accounting and financial records.

Notes: ¹Revenue Bonds were refunded in October 2008, matured on 12/15/08 (See MD&A Section).

²SDDSD became the agent entity for a interlocal agreement for the Wasatch Front Water Quality Council (WFWQC)

³Contracted with the EPA to operated a superfund site (OU2) in West Bountiful.

⁴GASB Statement No 68 (Pension Plans) implemented in 2015

⁵The District Issued 20-year taxable revenue bonds to finance construction of the WRR project (\$21,195,000)

SOUTH DAVIS SEWER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

Schedule 2

	2017 ⁵	2016	2015 ⁴	2014	2013	2012 ³	2011	2010	2009 ²	2008 ¹
Operating Revenues										
Sewer Service Fees	\$ 2,503,469	\$ 2,471,683	\$ 2,266,210	\$ 2,235,118	\$ 2,188,651	\$ 2,145,429	\$ 2,127,602	\$ 2,110,247	\$ 2,090,754	\$ 2,049,525
Sewer Special Treatment Fees	205,292	197,526	180,779	213,554	255,804	180,475	168,374	144,771	204,535	216,773
Inspection & Project Fees	34,276	33,730	20,470	40,200	52,460	77,980	27,210	8,145	27,889	43,106
Other	454,201	278,265	295,526	253,912	334,343	247,124	178,195	146,055	80,574	105,614
Equity in Earnings (Loss) WRR	(123,714)									
Total Operating Revenue	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,403,752	\$ 2,415,018
Operating Expenses										
Operating & Maintenance	\$ 6,691,513	\$ 6,666,828	\$ 5,935,569	\$ 5,532,400	\$ 5,407,450	\$ 5,241,791	\$ 5,704,107	\$ 5,515,868	\$ 4,645,897	\$ 4,498,408
Depreciation	323,330	326,654	278,380	342,111	360,330	327,082	295,415	265,475	215,435	180,487
Total Operating Expenses	\$ 7,014,843	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511	\$ 5,767,780	\$ 5,568,873	\$ 5,999,522	\$ 5,781,343	\$ 4,861,332	\$ 4,678,895
Operating Income (Loss)	\$ (3,941,319)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)	\$ (2,936,522)	\$ (2,917,865)	\$ (3,498,141)	\$ (3,372,125)	\$ (2,457,580)	\$ (2,263,877)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,102,078	\$ 2,282,560	\$ 2,208,762	\$ 2,078,046	\$ 2,119,222	\$ 1,989,427	\$ 2,024,811	\$ 1,970,947	\$ 1,880,189	\$ 1,835,054
Impact Fees	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553
Miscellaneous Revenue	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955	91,182	74,035
Intergovernmental Contributions	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161	
Project Grant	-	-	-	-	69,418	178,113				
Interest Income	302,862	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770
Gain (Loss) on Disposal of Property	87,959	36,394	33,603	104,325	43,625	29,866	198,630	38,559	25,727	1,197
Interest & Bond Expenses	(483,601)	-	-	-	-	-	-	-	-	(9,095)
Net Change in Fair Value of Investments	13,482	20,829	(14,326)	(2,552)	(6,336)	507,089	(437,754)	21,396	131,103	(15,198)
Total Non-Operating Revenue (Expense)	\$ 3,537,369	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867	\$ 4,063,401	\$ 4,334,356	\$ 3,110,357	\$ 2,866,509	\$ 3,356,732	\$ 3,642,316
Income (Loss) Before Contributions	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)	\$ 899,152	\$ 1,378,439
Capital Contributions - Assets	2,325,199	650,236	266,362	1,327,057	2,871,442	518,250	134,412	592,390	683,890	5,127,882
Increase in Net Assets	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)	\$ 86,774	\$ 1,583,042	\$ 6,506,321
Total Net Position at Beginning of Year	80,552,156	79,784,151	75,924,807	73,892,610	69,820,595	67,885,854	68,139,226	68,052,452	66,469,410	59,963,089
Prior Period Adjustment	-	-	(776,173)	-	73,694					
Total Net Position at End of Year	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410

Source: District accounting and financial records

- Notes: ¹Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)
²SDDSD became the agent entity for the interlocal cooperative, Water Front Water Quality Council (WFWQC)
³Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
2014 Prior period adjustment resulted from a journal entry error.
⁴GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000
⁵Issued 20-year taxable revenue bonds to finance construction of the WRR Project (21,195,000).

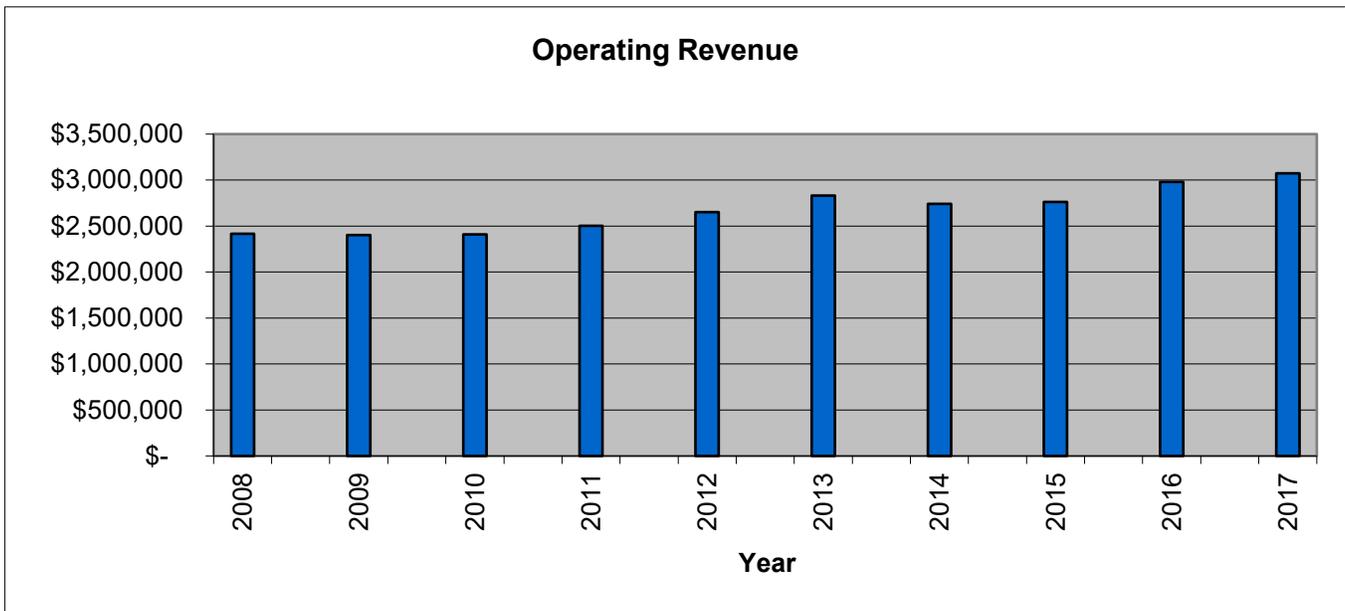
SOUTH DAVIS SEWER DISTRICT

Schedule 3

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
2008	\$ 2,049,525	\$ 259,879	\$ 105,614	\$ 2,415,018
2009	\$ 2,090,754	\$ 232,424	\$ 80,574	\$ 2,403,752
2010	\$ 2,110,247	\$ 152,916	\$ 146,055	\$ 2,409,218
2011	\$ 2,127,602	\$ 195,584	\$ 178,195	\$ 2,501,381
2012	\$ 2,145,429	\$ 258,455	\$ 247,124	\$ 2,651,008
2013	\$ 2,188,651	\$ 308,264	\$ 334,343	\$ 2,831,258
2014	\$ 2,235,118	\$ 253,754	\$ 253,912	\$ 2,742,784
2015	\$ 2,266,210	\$ 201,249	\$ 295,526	\$ 2,762,985
2016	\$ 2,471,683	\$ 231,256	\$ 278,265	\$ 2,981,204
2017	\$ 2,503,468	\$ 239,568	\$ 330,488	\$ 3,073,524

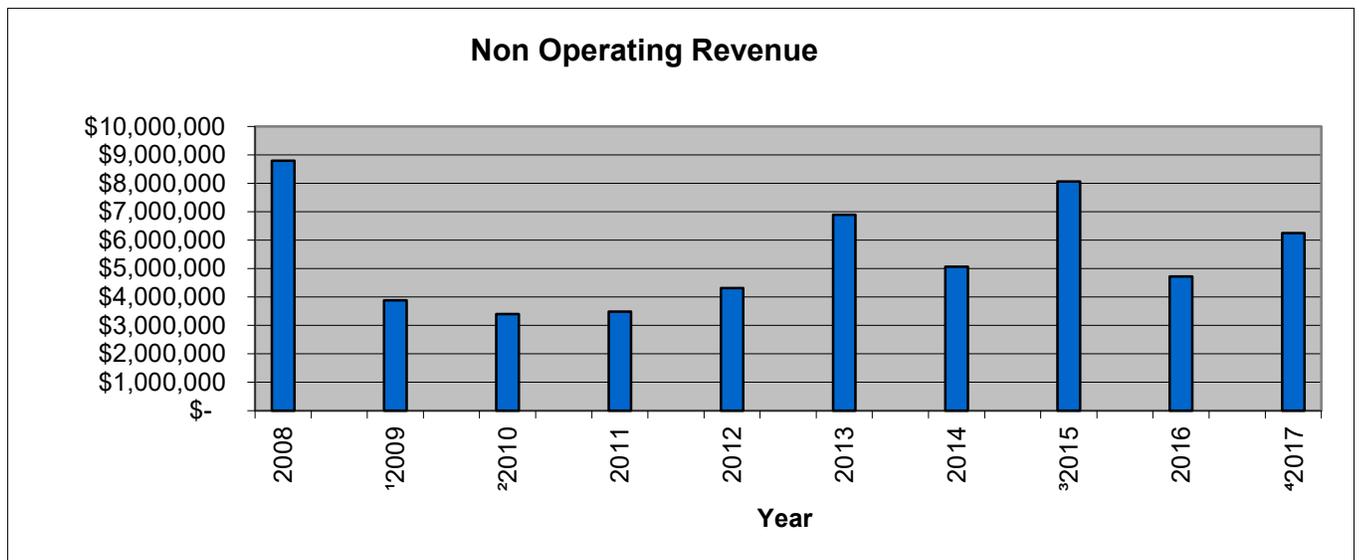


Source: District accounting records

SOUTH DAVIS SEWER DISTRICT
 Non Operating Revenue (Unaudited)
 Last Ten Fiscal Years

Schedule 4

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
2008	\$ 1,835,054	\$ 5,127,882	\$ 1,113,553	\$ 642,770	\$ 74,035		\$ 8,793,294
¹ 2009	\$ 1,880,189	\$ 683,890	\$ 605,482	\$ 255,888	\$ 91,182	\$ 367,161	\$ 3,883,792
² 2010	\$ 1,970,947	\$ 592,390	\$ 285,462	\$ 105,190	\$ 94,955	\$ 350,000	\$ 3,398,944
2011	\$ 2,024,811	\$ 134,412	\$ 712,027	\$ 158,551	\$ 98,692	\$ 355,400	\$ 3,483,893
2012	\$ 1,989,427	\$ 518,250	\$ 957,351	\$ 213,508	\$ 109,002	\$ 528,113	\$ 4,315,651
2013	\$ 2,119,222	\$ 2,871,442	\$ 1,029,824	\$ 81,659	\$ 175,989	\$ 619,418	\$ 6,897,554
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
³ 2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061
⁴ 2017	\$ 2,102,078	\$ 2,325,199	\$ 589,843	\$ 302,862	\$ -	\$ 924,746	\$ 6,244,728



Source: District financial and accounting records

Notes: Bountiful City Sewer System was transferred to the South Davis Sewer District on 1/1/04 (Additional 9,000 accounts).

¹Beginning in 2009, Intergovernmental contribution revenue from 7 POTW's was received for the support of the Water Quality Group research, headquartered at the South Davis Sewer District.

Table & Chart does not include realized, unrealized, gain or loss from investments and/or sale of equipment.

²The District contracted with the EPA beginning in 2010 to operate and maintain a superfund facility in West Bountiful City

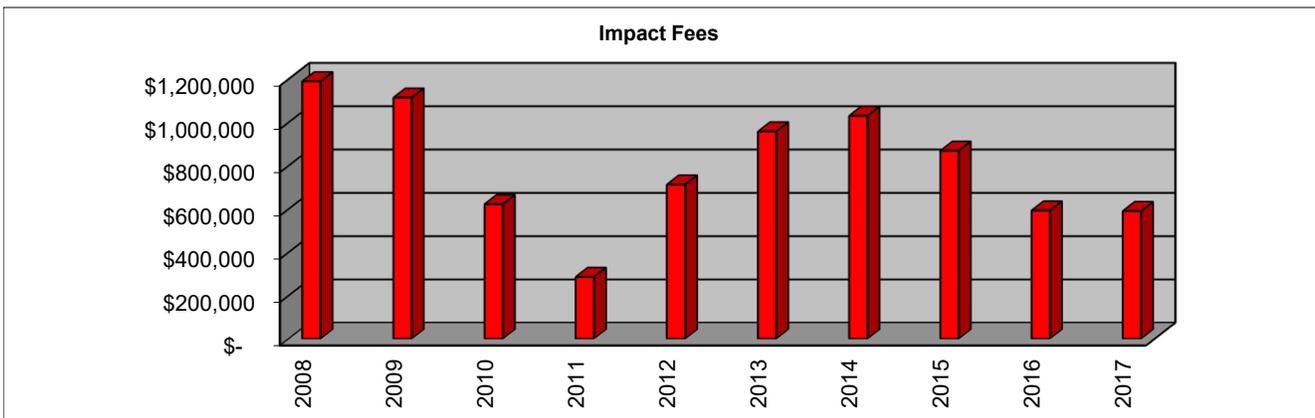
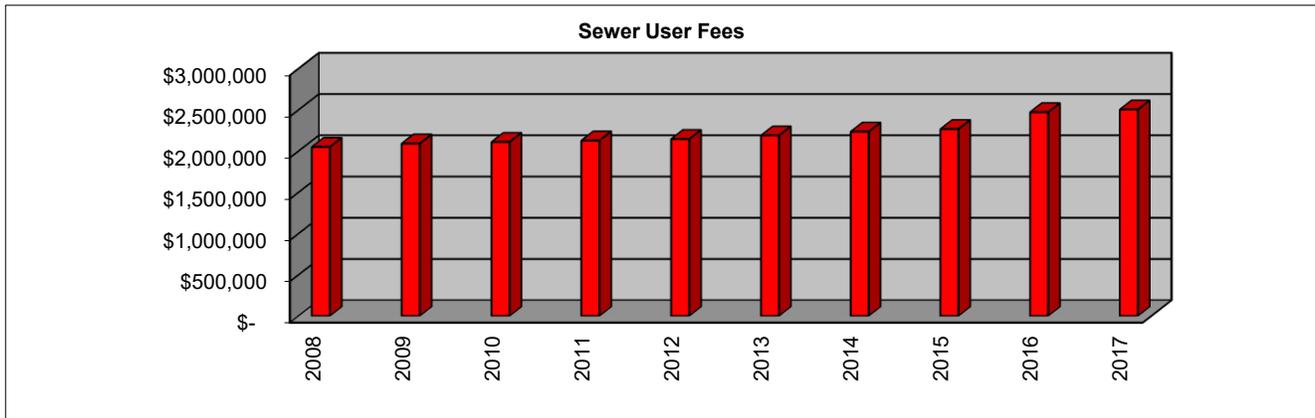
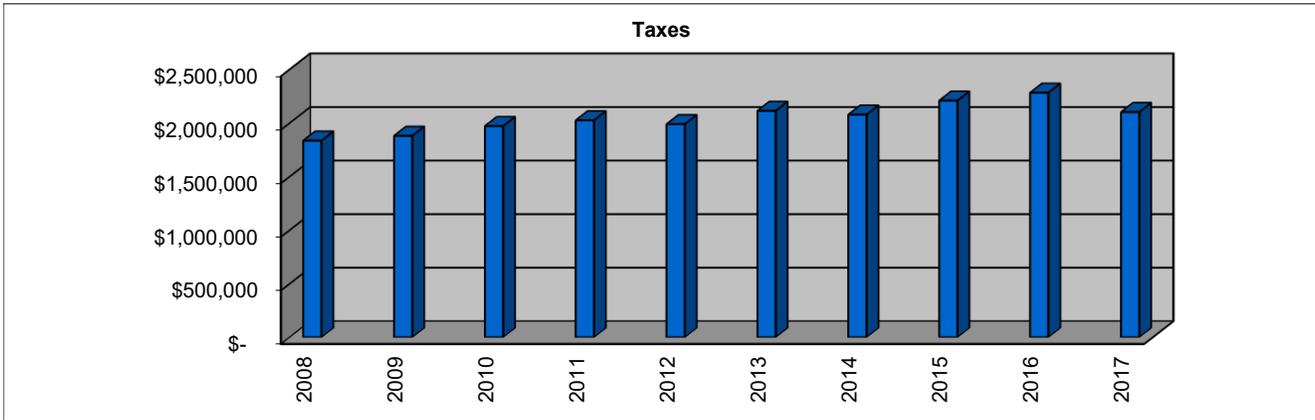
³Received in 2015 impact fee from Holly Refinery expansion in the amount of \$3,702,000

⁴Tax Increment from CDA in Miscellaneous Income for \$99,746.00

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited)

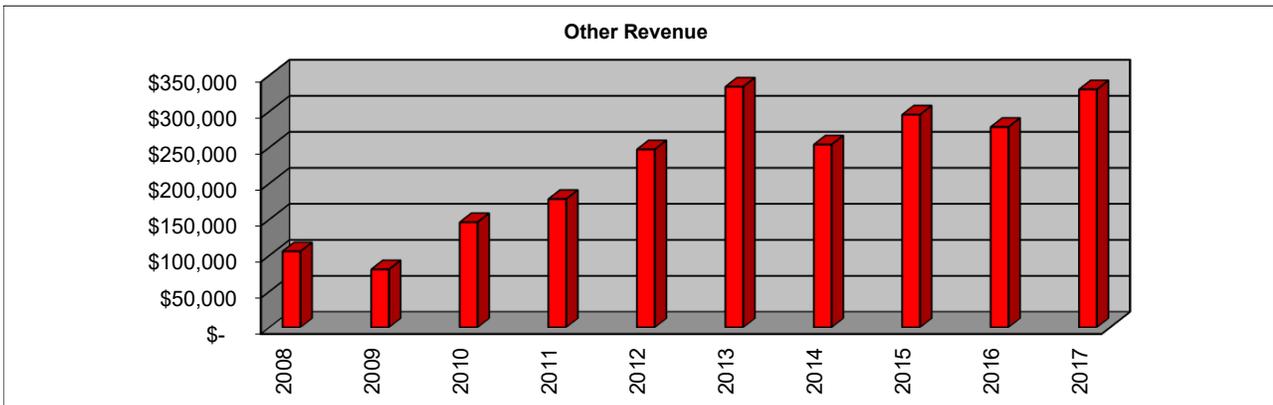
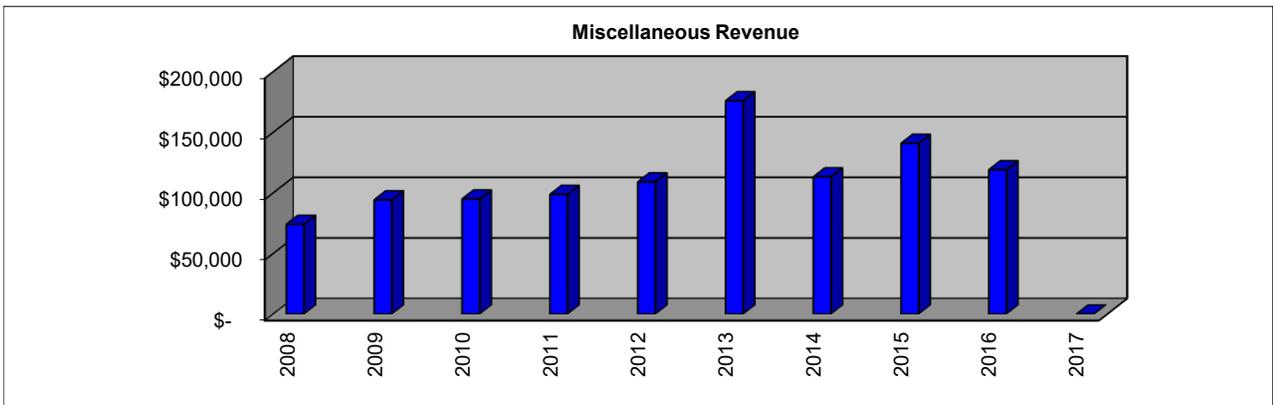
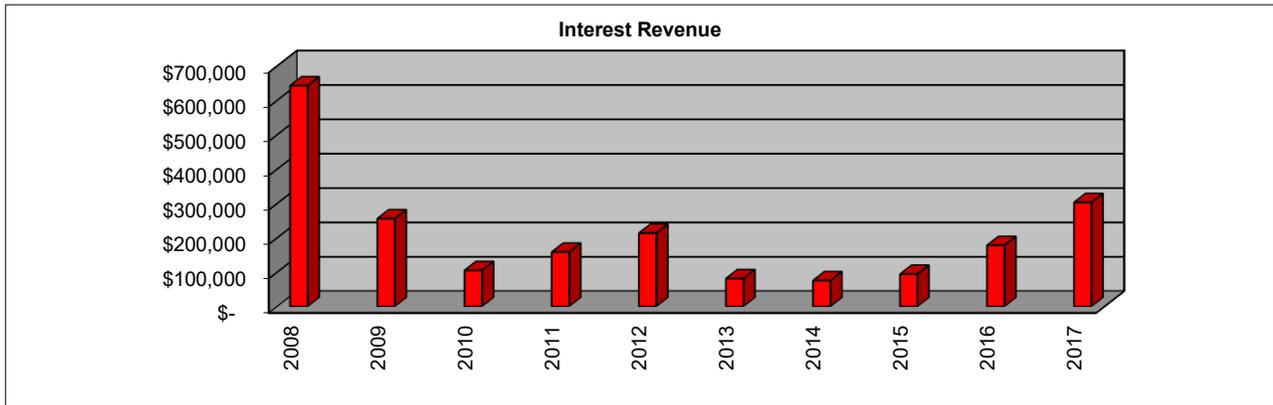
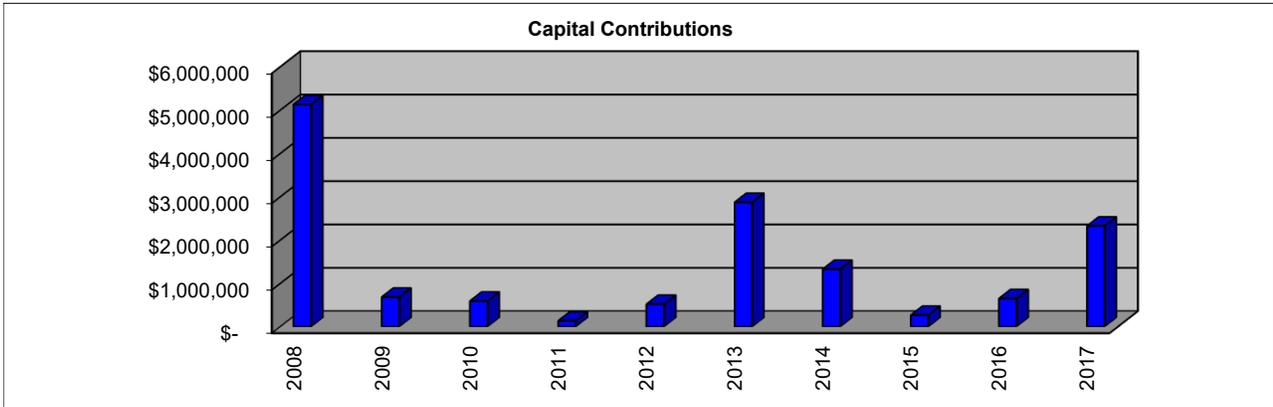
Last Ten Fiscal Years



Source: District financial and accounting records, Davis County Auditor/Clerks office

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited)
Last Ten Fiscal Years



Source: District financial and accounting records.

SOUTH DAVIS SEWER DISTRICT
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Schedule 7

Year	Total Tax Levy for Fiscal Year	Collected in First Period		Collection in Subsequent Periods	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	1,898,820	1,779,029	93.7%	60,324	1,839,353	96.9%
2009	1,917,575	1,803,654	94.1%	84,611	1,888,265	98.5%
2010	1,998,333	1,884,992	94.3%	90,230	1,975,222	98.8%
2011	1,841,535	1,705,846	92.6%	157,462	1,863,308	101.2%
2012	1,877,465	1,762,712	93.9%	72,263	1,834,975	97.7%
2013	1,942,033	1,826,818	94.1%	142,612	1,969,430	101.4%
2014	2,059,448	1,959,317	95.1%	64,576	2,023,893	98.3%
2015	2,168,606	2,072,537	95.6%	77,968	2,150,505	99.2%
2016	2,265,124	2,192,274	96.8%	52,939	2,245,213	99.1%
2017	2,335,669	2,254,880	96.5%	46,644	2,301,523	98.5%

Source: Utah State Tax Commission, Davis County Assessor's Office and Davis County Treasurer's Office.

SOUTH DAVIS SEWER DISTRICT
Sewer Service and Impact Fee Rates (Unaudited)
Last Ten Fiscal Years

Schedule 8

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
2008	\$60.00	\$48.00	\$1,456.00
2009	\$60.00	\$48.00	\$1,456.00
2010	\$60.00	\$48.00	\$1,456.00
¹ 2011	\$60.00	\$48.00	\$1,456.00
2012	\$60.00	\$48.00	\$1,596.00
2013	\$60.00	\$48.00	\$1,596.00
2014	\$60.00	\$48.00	\$1,596.00
2015	\$60.00	\$48.00	\$1,596.00
2016	\$60.00	\$48.00	\$1,596.00
2017	\$60.00	\$48.00	\$1,596.00

Source: District financial and accounting records, and Resolution 110-5.

Notes: ¹In 1997 the District did an analytical review on impact fee costs based upon changes in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from \$600 to \$1,456. In 2011 Zions Public Finance was engaged to conduct a impact fee rate study. The results of the 2011 impact fee study was a change in the impact fee to \$1,596 in Sept 2012. Annual sewer services fees have not changed since 1988.

SOUTH DAVIS SEWER DISTRICT
Principle Wastewater Contributors
For the Year Ending December 31, 2017

Schedule 9

	Business	Location	Discharged Annual (Gallons)
1	Holly Refinery*	West Bountiful	466,370,000
2	Big West Oil LLC*	North Salt Lake	162,200,000
3	Silver Eagle Refinery*	Woods Cross	61,446,000
4	Restaurants	District	47,878,000
5	Medical Centers/Retirement Homes	District	43,809,000
6	Car Wash/Service Stations/Dealers	District	42,898,000
7	IHC Laundry	Woods Cross	26,256,000
8	Hotels	District	23,520,000
9	Large Retail Stores	District	23,093,000
10	Health Clubs/ Bountiful Rec. Center	District	22,596,000
11	Churches	District	22,404,000
12	Schools	District	21,351,000
13	Lakeview Hospital	Bountiful	17,784,000
14	Air Products Manufacturing Corp	Bountiful	13,588,000
15	Dry Cleaners/Laundry	District	5,910,000
16	Chevron Products	North Salt Lake	5,751,000
17	Orbit Sprinklers	North Salt Lake	5,682,000
18	Zero Manufacturing Inc.*	North Salt Lake	5,607,000
19	General Electric	North Salt Lake	4,695,000
20	Cowboy Oil	Woods Cross	4,140,000
21	Pilot Travel	North Salt Lake	4,064,000
22	Manuel's Fine Foods	Woods Cross	4,064,000
23	South Davis Hospital	Bountiful	3,758,000
24	Benchmark Hospital	Woods Cross	2,771,000
25	Windriver Petroleum	Centerville	2,770,000
26	Advanced Drainage Systems	North Salt Lake	2,763,000
27	Pioneer Pipe Line	North Salt Lake	2,627,000
28	Albertson's Distribution Center	North Salt Lake	2,484,000
29	Stericycle Inc.	North Salt Lake	2,450,000
30	Legacy Megaplex Theater	Centerville	2,311,000
31	Aero Tech*	North Salt Lake	1,942,000
32	Biotron Laboratories	Centerville	1,541,000
33	Pipe Fab	Woods Cross	1,532,000
34	Dura-Line	North Salt Lake	953,000
35	THB Inc	North Salt Lake	757,000
36	Quality Plating*	Woods Cross	650,000

Source: District accounting records and city water records from Bountiful, Centerville, North Salt Lake, West Bountiful, and Woods Cross.

Note: *EPA categorical industry

SOUTH DAVIS SEWER DISTRICT
 Top Ten Non-Residential Customers
 For the Current Year (2017) and Nine Years Prior

Schedule 10

Account #	Rate Payer	Type of Service	<u>Annual User Fee Amount</u>	
			2017	2008
00200	Holly Refinery	Refinery	\$ 270,682	\$ 88,434
03792 & 11076	Big West Oil	Refinery	\$ 62,351	\$ 84,436
05020	Silver Eagle Oil	Refinery	\$ 29,264	\$ 38,682
30985	Lakeview Hospital	Health Care	\$ 9,417	\$ 6,992
07287	Intermountain Health Care	Health Care	\$ 8,799	\$ 8,902
35963	South Davis Recreation Center	Recreation	\$ 7,280	\$ 6,120
08644	Zero Mfg	Manufacturing	\$ 5,472	\$ 10,872
08989	Air Products	Manufacturing	\$ 5,581	\$ 4,587
00345	Pioneer Pipeline	Manufacturing	\$ 5,059	\$ 3,834
03018	Chevron Products	Refinery	\$ 5,517	\$ 4,859

Source: District accounting records & city water records

Note: South Davis Recreation Center opened in 2007

SOUTH DAVIS SEWER DISTRICT
 Schedule of Revenue Bond Coverage
 Last Ten Fiscal Years
 (Unaudited)

Schedule 11

	'2017	2016	'2015	2014	2013	'2012	2011	2010	'2009	'2008
Net Revenues										
Operating Revenues	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,770,913	\$ 2,415,018
Operating Expenses (excluding depreciation)	(6,691,513)	(6,840,618)	(5,935,569)	(5,532,400)	(5,407,450)	(5,241,791)	(5,840,971)	(5,515,868)	(4,645,897)	(4,498,408)
General Property Tax	2,102,078	2,282,560	2,208,762	2,082,256	2,119,222	1,989,427	2,024,811	1,970,947	1,880,189	1,835,054
Impact Fees	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553
Intergovernmental Contributions	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161	
Project Grant Revenue	-	-	-	-	69,418	178,113				
Misc. Revenue	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955	74,035	74,035
Interest Income	342,773	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770
Total Net Revenues	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891	\$ (300,096)	\$ 1,307,771	\$ 1,582,022
Net Revenues Excluding Impact Fees										
Net Revenues	341,451	213,410	4,628,258	949,688	1,449,920	1,206,618	9,891	(300,096)	1,307,771	1,582,022
Impact Fees	(589,843)	(592,322)	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)	(1,113,553)
Net Revenues Excluding Impact Fees	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)	\$ (585,558)	\$ 702,289	\$ 468,469
Aggregate Debt Service*	\$ 451,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,300
Ratio of Net Revenues to Aggregate Debt Service	0.76	0	0	0	0	0	0	0	0	5.11
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	(0.55)	0	0	0	0	0	0	0	0	1.51
Minimum Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: District accounting and financial records.

Notes: GASB Statement No 34 implemented in 2004

¹Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)

²SDSD became the agent entity for a interlocal cooperative, the Wasatch Front Water Quality Council (WFWQC).

³Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

⁴GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000

⁵Issued 20-year taxable revenue bonds to finance the construction of the WRR project \$21,195,000

Bond payments are semi annual and due June 1st and December 1st. Average coupon 1

SOUTH DAVIS SEWER DISTRICT
Ratios of Outstanding Debt (unaudited)
Last Ten Fiscal Years

Schedule 12

Year	Revenue Bonds	Population	Debt Per Capita	Personal Income	Debt as a Percentage of Personal Income	Estimated Value of Taxable Property	Debt as a Percentage of Est. Actual Value of Taxable Prop.
2008		89,400		n/a	n/a	\$ 5,875,529,880	
2009		90,800		n/a	n/a	\$ 5,731,872,686	
2010		91,200		n/a	n/a	\$ 5,407,414,676	
2011		91,500		n/a	n/a	\$ 5,170,589,665	
2012		93,900		n/a	n/a	\$ 5,275,495,186	
2013		94,257		n/a	n/a	\$ 5,380,923,009	
2014		92,794		n/a	n/a	\$ 5,860,299,292	
2015		90,719		n/a	n/a	\$ 6,065,092,075	
2016		97,252		n/a	n/a	\$ 6,573,097,642	
2017	\$ 20,748,437	99,283	\$ 209	n/a	n/a	\$ 7,504,784,496	0.276%

Source: Davis County Assessor/Auditors office, District financial and accounting records, Zions Trust
U.S Census and Utah Workforce Services.

Notes: ¹Revenue bonds matured 12/15/08

Issued 20-year taxable revenue bonds, par value \$21,195,000,000 for construction of the WRR project
Personal income information for the District is not available, only for Davis County.

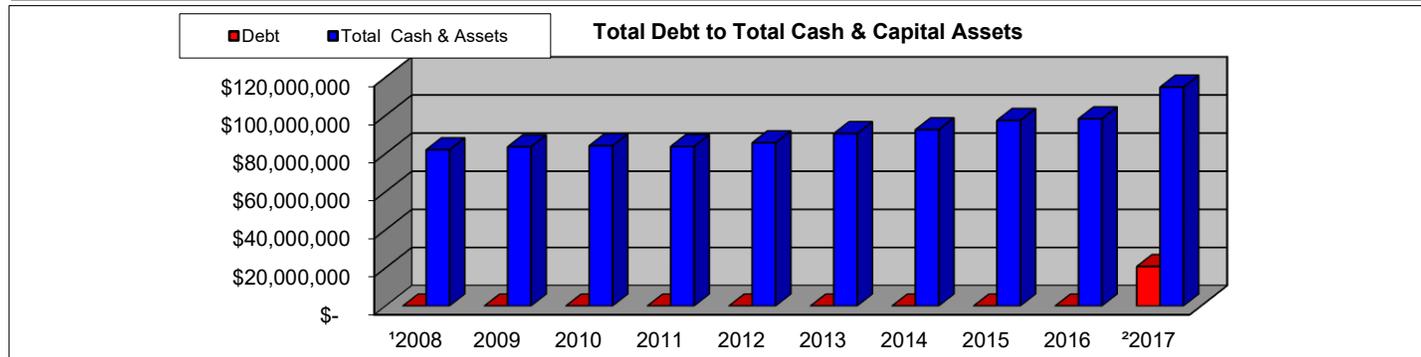
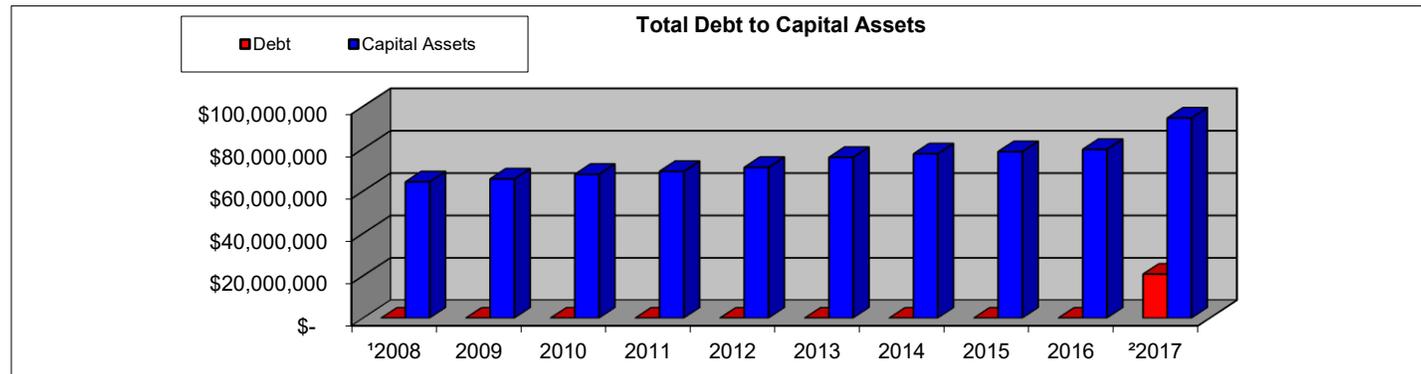
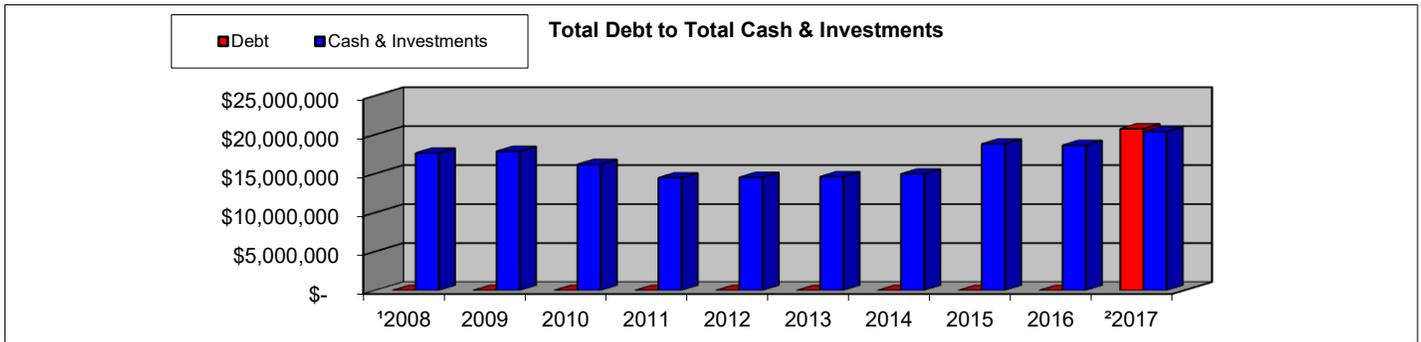
SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

Schedule 13

Last Ten Fiscal Years

Year	Total Debt	Cash & Investments	% of Debt : Cash	² Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
'2008	\$ -	\$ 17,631,263	0.00%	\$ 64,339,310	0.00%	\$ 81,970,573	0.00%
2009	\$ -	\$ 17,852,729	0.00%	\$ 65,723,067	0.00%	\$ 83,575,796	0.00%
2010	\$ -	\$ 16,185,317	0.00%	\$ 67,910,776	0.00%	\$ 84,096,093	0.00%
2011	\$ -	\$ 14,462,364	0.00%	\$ 69,268,268	0.00%	\$ 83,730,632	0.00%
2012	\$ -	\$ 14,511,792	0.00%	\$ 71,177,332	0.00%	\$ 85,689,124	0.00%
2013	\$ -	\$ 14,601,123	0.00%	\$ 75,884,155	0.00%	\$ 90,485,278	0.00%
2014	\$ -	\$ 14,950,344	0.00%	\$ 77,565,784	0.00%	\$ 92,516,128	0.00%
2015	\$ -	\$ 18,796,338	0.00%	\$ 78,589,869	0.00%	\$ 97,386,207	0.00%
2016	\$ -	\$ 18,628,790	0.00%	\$ 79,659,822	0.00%	\$ 98,288,612	0.00%
² 2017	\$ 20,748,437	\$ 20,364,050	101.89%	\$ 94,494,332	21.96%	\$ 114,858,382	18.06%



Source: District accounting records.

Note: '2003 revenue bond matured 12/15/08.

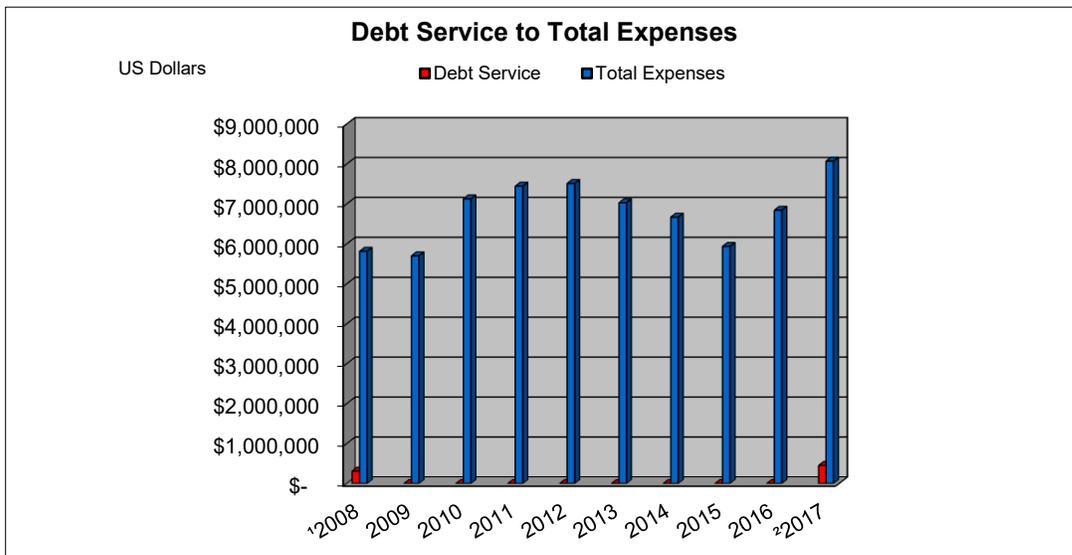
²Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project..

Capital assets are at historical cost (excluding depreciation).

SOUTH DAVIS SEWER DISTRICT
 Debt Service to Total Expenses (Unaudited)
 Last Ten Fiscal Years

Schedule 14

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
¹ 2008	\$ 309,300	\$ 5,812,846	5.32%
2009	\$ -	\$ 5,699,282	0.00%
2010	\$ -	\$ 7,125,947	0.00%
2011	\$ -	\$ 7,443,546	0.00%
2012	\$ -	\$ 7,512,322	0.00%
2013	\$ -	\$ 7,027,863	0.00%
2014	\$ -	\$ 6,667,837	0.00%
2015	\$ -	\$ 5,935,569	0.00%
2016	\$ -	\$ 6,840,618	0.00%
² 2017	\$ 451,461	\$ 8,071,683	5.59%



Source: District financial and accounting records, Zions Bank Trust Department.

Notes: ¹Revenue Bonds were refunded in October 2003 and matured 12/15/08.

²Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.

Total expenses excludes depreciation

Total expenses include operational, maintenance and capital expenses

SOUTH DAVIS SEWER DISTRICT
Schedule of Total Bond Debt Service (Unaudited)
Last Ten Fiscal Years

Schedule 15

Year	Principle	Interest	Total	Population	Per Capita
2008	\$ 309,300	\$ -	\$ 309,300	90,400	\$ 3.42
2009	\$ -		\$ -	88,800	\$ -
2010	\$ -		\$ -	90,576	\$ -
2011	\$ -		\$ -	92,390	\$ -
2012	\$ -		\$ -	93,900	\$ -
2013	\$ -		\$ -	94,257	\$ -
2014	\$ -		\$ -	95,200	\$ -
2015	\$ -		\$ -	96,250	\$ -
2016	\$ -		\$ -	97,252	\$ -
2017	\$ -	\$ 451,461	\$ 451,461	99,280	\$ 4.55

Source: District financial and accounting records, Zions Bank Trust Department.

Notes: ¹Revenue Bonds were refunded in October 2003 and matured 12/15/08.

²Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.

Bond payments are semi-annual and due every December 1st and June 1st

The first principle and interest payment is on December 1, 2019

SOUTH DAVIS SEWER DISTRICT
 Davis County Demographic and Economic Statistics (Unaudited)
 Last Ten Fiscal Years

Schedule 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Per Capita Income</u>	<u>Personal Income</u>	<u>Annualized % Unemployment Rate</u>	<u>Total Public School Enrollment</u>
2008	301,915	6,203	1,359	\$33,283	\$10,048,636,945	3.30%	65,014
2009	306,479	6,069	1,339	\$33,104	\$10,184,644,224	5.90%	65,452
2010	307,657	5,799	1,329	\$33,671	\$10,364,200,343	6.70%	66,019
2011	312,603	5,704	1,410	\$34,309	\$10,697,797,530	6.20%	71,232
2012	317,248	5,844	1,472	\$37,127	\$11,724,122,000	5.30%	68,342
2013	322,094	5,720	1,612	\$38,165	\$12,292,741,914	4.20%	68,571
2014	329,492	5,772	1,684	\$38,427	\$12,661,524,171	3.60%	69,139
2015	336,043	5,870	1,710	\$38,809	\$13,041,369,897	3.30%	69,879
2016	342,281	5,687	1,762	\$41,339	\$14,149,554,259	3.30%	71,021
2017	347,637	5,473	1,826	\$42,372	\$14,730,240,092	3.10%	71,908

Sources: Davis County Department of Community & Economic Development
 Davis County Health Department - Vital Statistics
 U.S Bureau of Economic Analysis
 Utah Department of Workforce Services - Labor Information Division
 Davis County School District

Notes: This information represents all of Davis County. The District takes in part of Davis County (Five Cities)

SOUTH DAVIS SEWER DISTRICT
 Davis County Principle Employers
 Current Year (2017) and Nine Years Ago

Schedule 17

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
			<u>159,781</u>			<u>136,426</u>
Hill Air Force Base	10000-14999	1	9.23%	10000-14999	1	11.0%
Davis County School District	7000-9999	2	6.15%	5000-6999	2	5.1%
Kroger Group Cooperative	1000-1999	3	1.23%	700-999	5	0.7%
Lifetime Products	1000-1999	4	1.23%	1000-1999	4	1.5%
Walmart	1000-1999	5	1.23%	1000-1999	6	1.5%
Lagoon Inc.	1000-1999	6	1.23%	1000-1999	3	1.5%
Utility Trailer Manufacturing	1000-1999	7	1.23%	1000-1999	7	1.5%
ATK Space Systems	1000-1999	8	1.23%	1000-1999	10	1.5%
Davis County	500-999	9	0.61%	700-999	16	0.7%
Alliant	500-999	10	0.61%	700-999	8	0.7%
Davis Hospital & Medical Center	500-999	11	0.61%	500-699	12	0.5%
Davis County	500-999	12	0.61%	500-699	9	0.5%
Albertsons	250-499	13	0.61%	250-499	13	0.4%
Citicorp Credit Services	250-499	14	0.61%	500-699	11	0.5%
Lakeview Hospital	250-499	15	0.61%	250-499	15	0.4%
Northrop Grumman	250-499	16	0.31%	500-699	17	0.5%
Totals	<u>20,600-42,984</u>		<u>27.37%</u>	<u>24,590-34,784</u>		<u>28.3%</u>

Source: Utah Department of Workforce Services, Davis County.

Notes: This schedule reflects data for all of Davis County, the District serves only a portion of Davis County

SOUTH DAVIS SEWER DISTRICT
Property Tax Rates - Direct and Overlapping Governments (Unaudited)
Last Ten Fiscal Years

Overlapping Rates

Fiscal Year	South Davis Sewer District	Bountiful City	Centerville City	West Bountiful City	Woods Cross City	North Salt Lake City	Davis County	Davis County Library	Weber Basin Water	South Davis Water	Bountiful Irrigation District	Mosquito Abatement	South Davis Recreation District	Total Direct & Overlapping Rates
	2007	0.000341	0.001119	0.001349	0.001500	0.000880	0.001546	0.009044	0.000403	0.000178	0.000298	0.000139	0.000086	n/a
2008	0.000305	0.000912	0.001233	0.001457	0.000833	0.001459	0.007728	0.000375	0.000200	0.000236	0.000115	0.000099	0.000390	0.015342
2009	0.000270	0.000903	0.000923	0.001204	0.000646	0.001258	0.007390	0.000332	0.000181	0.000228	0.000110	0.000088	0.000340	0.013873
2010	0.000290	0.000948	0.000997	0.001384	0.000690	0.001396	0.007651	0.000348	0.000188	0.000290	0.000113	0.000093	0.000356	0.014744
2011	0.000315	0.001037	0.001102	0.001366	0.000840	0.00152	0.008416	0.000363	0.000207	0.000240	0.000122	0.000097	0.000379	0.016004
2012	0.000329	0.001093	0.001173	0.001997	0.001049	0.001637	0.011244	0.000392	0.000217	0.000248	0.000130	0.000104	0.000407	0.020020
2013	0.000330	0.001094	0.001165	0.001951	0.001058	0.001637	0.013931	0.000396	0.000215	0.000253	0.000131	0.000105	0.000399	0.022665
2014	0.000301	0.000946	0.001072	0.001788	0.000913	0.001541	0.008637	0.000361	0.000199	0.000246	0.000120	0.000124	0.000338	0.016586
2015	0.000303	0.000957	0.001088	0.001806	0.000927	0.001517	0.012221	0.000361	0.000196	0.000250	0.000120	0.000122	0.000334	0.020202
2016	0.000287	0.000890	0.000983	0.001684	0.001057	0.001622	0.010139	0.000342	0.000187	0.000234	0.000110	0.000116	0.000306	0.017957
2017	0.002640	0.000832	0.001354	0.001566	0.001003	0.001450	0.012161	0.000376	0.000174	0.000214	0.000103	0.000107	0.000279	0.022259

Source: District financial and accounting records, Davis County Treasurer's Office

Notes: Overlapping rates are those of local and county governments that apply to property owners within the South Davis Sewer District.

Davis County includes Davis County School District.

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SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2017

Schedule 19

1	Davis County Jail Bond	0.000069
2	Bountiful Water	0.000103
3	Davis County Mosquito Abatement	0.000107
4	Weber Basin Water	0.000174
5	Central Davis Sewer District	0.000191
6	Davis County Assess & Collect	0.000207
7	South Davis Water District	0.000214
8	Utah Assess & Collect	0.000217
9	South Davis Sewer District	0.000264
10	South Davis Recreation Center	0.000279
11	Hooper Water Improvement	0.000345
12	Benchland Water District	0.000375
13	Davis County Library	0.000376
14	Central Weber Sewer District	0.000709
15	Bountiful City	0.000832
16	West Point City	0.000945
17	North Davis Sewer District	0.000949
18	Woods Cross City	0.001030
19	North Davis Fire District	0.001182
20	Centerville City	0.001354
21	North Salt Lake City	0.001450
22	West Bountiful City	0.001566
23	Utah Statewide School Rate	0.001568
24	Syracuse City	0.001573
25	Kaysville City	0.001589
26	Layton City	0.001635
27	Clearfield City	0.001745
28	Davis County	0.001924
29	Clinton City	0.001925
30	Farmington City	0.001942
31	Sunset City	0.001950
32	Fruit Heights City	0.002117
33	Davis County School District	0.005901

Source: Davis County Treasurer's Office, Utah State Tax Commission

SOUTH DAVIS SEWER DISTRICT
 Principle Tax Payers (Unaudited)
 For the Current Year 2017 and Nine Years Prior

Schedule 20

		Assessed Taxable Value				
Tax Payer	City	2017 Personal Property	2017 Real Property	2017 Total	2008 Total	
1	Holly Refinery	Woods Cross	\$ 823,859,495	\$ 25,081,995	\$ 848,941,490	\$ 80,908,244
2	Chevron USA Inc.	County/NSL	\$ 375,024,746	\$ 6,515,172	\$ 381,539,918	\$ 125,690,901
3	Big West Oil	North Salt Lake	\$ 128,287,904	\$ 12,755,059	\$ 141,042,963	\$ 97,570,908
4	Pacificorp	Centerville	n/a	\$ 65,491,375	\$ 65,491,375	\$ 9,092,863
5	WBC Partners/West	West Bountiful	n/a	\$ 50,132,377	\$ 50,132,377	\$ 21,683,758
6	IGI RE Holdings WX LLC	West Bountiful	\$ 37,829,174	\$ 5,058,083	\$ 42,887,257	\$ 30,796,258
7	FedEx Ground Package Sys	North Salt Lake	\$ 29,314,338	\$ 8,339,818	\$ 37,654,156	n/a
8	Questar Gas	Bountiful	n/a	\$ 36,277,802	\$ 36,277,802	n/a
9	Hospital Corporation of Utah	Woods Cross	\$ 12,377,444	\$ 23,635,000	\$ 36,012,444	\$ 28,763,854
10	ABS UT- (Albertsons)	North Salt Lake	\$ 5,614,873	\$ 26,897,211	\$ 32,512,084	\$ 32,132,235
11	Eaglewood Loft LLC	North Salt Lake	\$ 369,844	\$ 31,868,893	\$ 32,238,737	\$ 35,072,905
12	Legacy Crossing LLC	Centerville	\$ 2,885,295	\$ 25,279,001	\$ 18,479,296	n/a
13	Dayton West LLC	Centerville	\$ 1,739,642	\$ 20,200,200	\$ 21,939,842	\$ 14,976,175
14	Village Glen Main LLC	Woods Cross	n/a	\$ 20,645,718	\$ 20,645,718	\$ 10,732,902
15	Bountiful Corner LLC	Bountiful	n/a	\$ 18,985,200	\$ 18,985,200	n/a

Source: Davis County Clerk/Auditor's Office

Notes: 2017 Certified Tax Rate = 0.000264 . Year end property values for the District were:

Real property \$6,778,503,138, Personal property, \$1,726,409,404 & Centrally assessed \$191,912,117

Total adjusted property values were \$8,696,824,659

SOUTH DAVIS SEWER DISTRICT
 Operator Certification Program (Unaudited)
 For the Year Ending December 31, 2017

Schedule 21

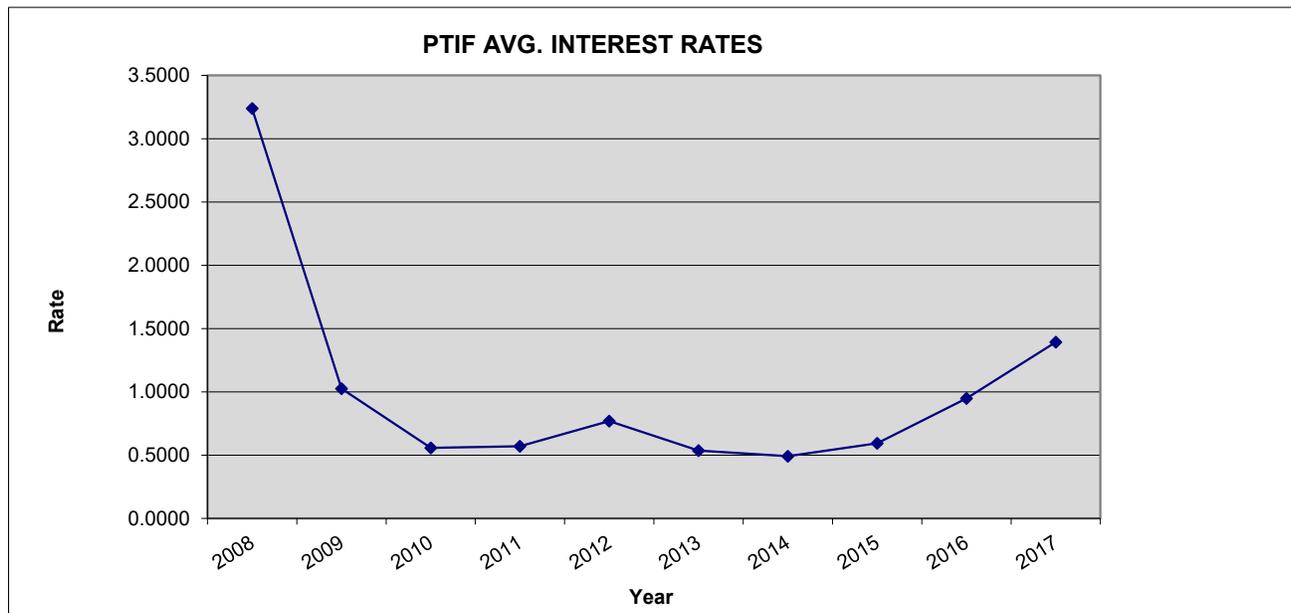
Employee	Collection Operator Certification Level	Treatment Operator Certification Level
Curtis D. Bohman	Grade IV	
Mike C. Bradshaw	Grade IV	Grade I
Jason D. Dlugas	Grade IV	
Shane E. Fleming	Grade IV	
Corry J. King		Grade IV
Eddie D. Marsing	Grade IV	Grade IV
Marty G. Marsing	Grade IV	
Brent M. Maxwell	Grade IV	Grade IV
Timothy E. Munden		Grade IV
Matthew J. Myers	Grade IV	Grade IV
Eric S. Nemcek		Grade IV
Tyler Nemcek	Grade I	
Brandon S. Rice	Grade IV	
Stephen J. Rix		Grade IV
Jacob Scott	Grade IV	
Earl W. Seely		Grade IV
Carl E. Trimming	Grade IV	
Dal D. Wayment	Grade IV	Grade IV
Zane R. Young		Grade IV

Source: District employment records and State of Utah, Division of Water Quality records
 Notes: In accordance with Section 19-5-104 of the Utah Code, wastewater operators, collection and treatment systems are to be certified. This certification is regulated by the Division of Water Quality, State of Utah.

SOUTH DAVIS SEWER DISTRICT
 Public Treasurer Investment Fund (PTIF) Interest Rates (Unaudited)
 Last Ten Fiscal Years

Schedule 22

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	4.7787	1.8558	0.5955	0.4812	0.7496	0.6499	0.5074	0.5073	0.7460	1.1806
Feb	4.2164	1.3798	0.5518	0.4900	0.7949	0.6120	0.5070	0.5184	0.7796	1.2007
Mar	3.6482	1.2600	0.5605	0.5102	0.7937	0.5739	0.5023	0.5294	0.8224	1.2217
Apr	3.2426	1.1700	0.5649	0.5362	0.7941	0.5295	0.4992	0.5475	0.8517	1.2651
May	3.0435	1.1170	0.5833	0.5374	0.7917	0.4902	0.4879	0.5559	0.8997	1.2858
Jun	3.0185	1.0107	0.5965	0.5463	0.7894	0.5046	0.4799	0.5610	0.9093	1.3431
Jul	3.0504	0.9296	0.5959	0.5455	0.7877	0.5115	0.4693	0.5791	0.9429	1.4084
Aug	3.0128	0.8489	0.5851	0.5577	0.7791	0.4962	0.4699	0.6098	0.9968	1.4782
Sep	2.8922	0.7592	0.5622	0.5961	0.7784	0.5126	0.4767	0.6368	1.0597	1.5280
Oct	2.8959	0.6968	0.5167	0.6336	0.7484	0.5143	0.4850	0.6593	1.0982	1.5621
Nov	2.7780	0.6396	0.4878	0.6790	0.7235	0.5150	0.5071	0.6824	1.1231	1.6053
Dec	2.2742	0.6255	0.4813	0.7190	0.6908	0.5103	0.5077	0.7244	1.1457	1.6340
Avg	3.2376	1.0244	0.5568	0.5694	0.7684	0.5350	0.4916	0.5926	0.9479	1.3928



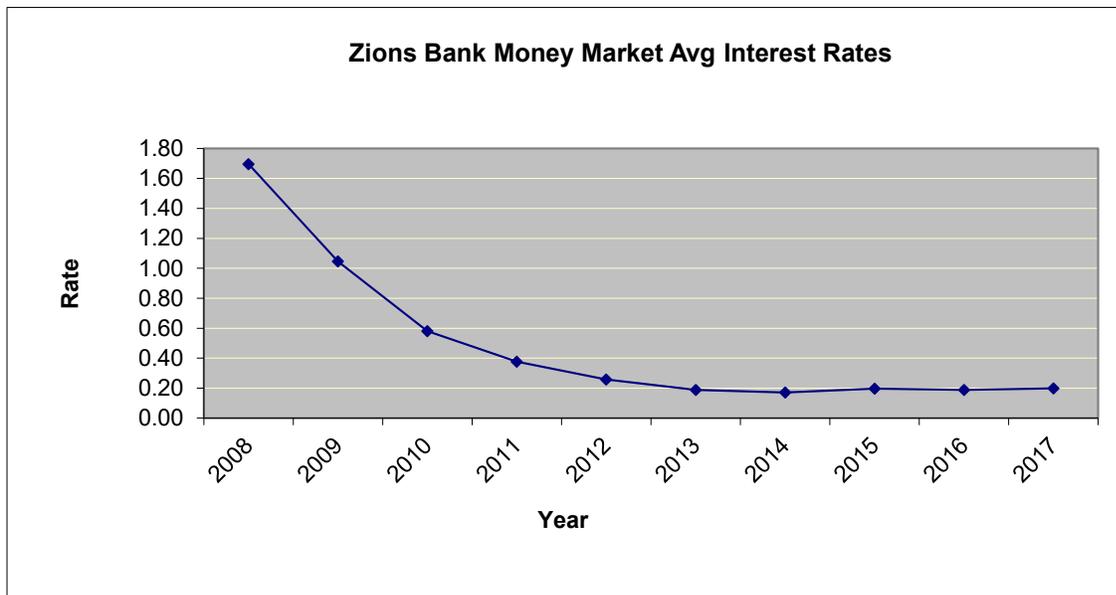
Source: Utah State Treasurer's Office

Notes: Interest calculated based on the 365 day rate

SOUTH DAVIS SEWER DISTRICT
 Zions Bank Money Market Interest Rate History (Unaudited)
 Last Ten Fiscal Years

Schedule 23

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	2.50	1.50	0.90	0.60	0.30	0.20	0.20	0.20	0.20	0.20
Feb	1.75	1.35	0.70	0.40	0.30	0.20	0.20	0.20	0.40	0.20
Mar	1.30	1.20	0.50	0.47	0.25	0.20	0.15	0.20	0.15	0.20
Apr	1.30	1.00	0.50	0.38	0.20	0.20	0.20	0.19	0.15	0.19
May	1.30	0.85	0.65	0.37	0.20	0.15	0.20	0.19	0.15	0.20
Jun	1.50	1.00	0.50	0.36	0.20	0.20	0.15	0.19	0.15	0.20
Jul	1.80	1.15	0.65	0.50	0.30	0.20	0.15	0.19	0.20	0.20
Aug	1.80	1.00	0.65	0.35	0.25	0.20	0.15	0.20	0.20	0.20
Sep	1.80	1.00	0.57	0.30	0.50	0.15	0.20	0.20	0.15	0.20
Oct	2.00	1.00	0.50	0.30	0.20	0.15	0.15	0.19	0.15	0.20
Nov	2.05	1.00	0.44	0.25	0.20	0.20	0.15	0.20	0.20	0.20
Dec	1.25	0.50	0.40	0.25	0.20	0.20	0.15	0.20	0.15	0.20
Avg	1.70	1.05	0.58	0.38	0.26	0.19	0.17	0.20	0.19	0.20



Source: Zions Bank

Notes: Interest calculated based on the 365 day rate.

SOUTH DAVIS SEWER DISTRICT
 Permit-Authorized Construction in Davis County
 Last Ten Fiscal Years (Unaudited)
 (values in thousands)

Schedule 24

Year	Number of New Dwelling Units	Residential Construction Value (\$000)	Nonresidential Construction Value (\$000)	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential (\$000)	Nonresidential (\$000)	
2008	1,027	199,928	121,106	16,212	23,189	360,437
2009	1,061	189,750	71,933	18,220	20,802	300,706
2010	993	205,706	66,277	17,868	29,131	318,982
2011	1,334	239,784	56,404	17,981	44,765	358,934
2012	2,033	332,625	48,848	20,712	24,552	426,743
2013	632	122,334	27,274	4,498	15,155	169,263
2014	1,643	316,597	139,616	25,621	40,291	522,126
2015	1,693	366,998	370,979	28,640	52,720	522,126
2016	1,721	377,935	172,821	29,958	73,250	653,965
2017	1,870	382,116	157,539	23,864	44,383	607,902
10-year Avg.	1,401	273,377	123,280	20,357	36,824	424,118

Source: Ivory-Boyer data base, Utah Construction Report, University of Utah (BEBR).

Notes: This schedule represents Davis County as a whole, the District covers a portion of Davis County

SOUTH DAVIS SEWER DISTRICT
 Full-Time Equivalent Employees by Function/Department (Unaudited)
 Last Ten Fiscal Years

Schedule 25

Fiscal Year	Function/Department						Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Research	
2008	7	6	2	5	1		21
¹ 2009	7	6	2	7	1	1	24
2010	7	6	2	7	1	1	24
2011	7	7	2	7	1	1	25
2012	7	8	2	6	1	1	25
2013	7	8	2	6	1	1	25
2014	7	8	2	6	1	1	25
2015	7	8	2	6	1	1	25
2016	7	8	2	6	1	1	25
² 2017	9	8	2	6	1	1	27
Average	7.2	7.3	2	6.2	1	0.9	24.6

Source: District employment records

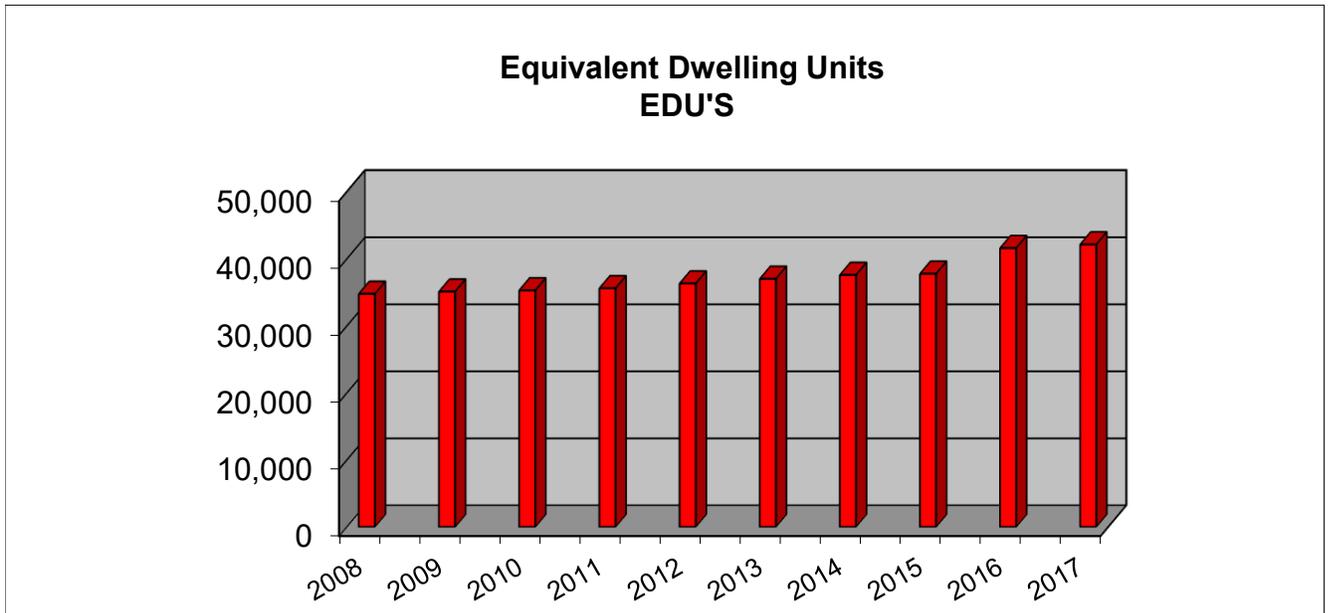
Notes: Full time employees are scheduled to work 2,080 hours per year (Including vacation, and sick leave).

¹In 2009 a research scientist was hired to assist the Wasatch Front Water Quality Council, TMDL project

²In 2017, two treatment plant operators were hired for the ABNR project

SOUTH DAVIS SEWER DISTRICT
 Equivalent Dwelling Units (EDU'S) - (Unaudited)
 Last Ten Fiscal Years

<u>YEAR</u>	<u>EDU'S</u>
2008	34,761
2009	35,096
2010	35,284
2011	35,591
2012	36,309
2013	37,005
2014	37,587
2015	37,762
2016	41,589
2017	42,136



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 102,200 gallons of water allowed annually.
 The District has approximately 27,500 customer accounts as of 12/31/17

SOUTH DAVIS SEWER DISTRICT
Capital Asset Summary (Unaudited)
For the Year Ended December 31, 2017

Schedule 27

COST								ACCUMULATED DEPRECIATION					
Acct #	Description	Balances 12/31/16	Additions	Deletions	Transfers	Adjust	Balances 12/31/17	Acct #	Balances 12/31/16	Depreciation Expense	Asset Deposal	Transfers	Balances 12/31/17
							-0-						
182000	0.01 Building & Facilities	2,710,249.55	-0-	-0-	-0-	-0-	2,710,249.55	182100	0.01	(95,968.67)	(8,844.99)	-0-	(104,813.66)
182000	0.02 Building & Facilities	21,587,121.30	-0-	-0-	9,922.60	-0-	21,597,043.90	182100	0.02	(8,603,099.53)	(8,703.44)	-0-	(8,611,802.97)
184000	0.02 Improvements Other Than Bldgs	-	28,892.78	-0-	-0-	-0-	28,892.78	184000	0.02	-0-	-0-	-0-	-0-
188000	0.04 Construction in Progress	337,648.95	12,440,095.08	-0-	(9,922.60)	-0-	12,767,821.43	188000	0.04	-0-	-0-	-0-	-0-
189000	0.01 Outfall/Sewer Lines	40,177,721.36	2,325,199.00	-0-	-0-	-0-	42,502,920.36	189110	0.01	(3,664,414.62)	(2,000.00)	-0-	(3,666,414.62)
189000	0.02 Outfall/Sewer Lines	5,748,121.05	-0-	-0-	-0-	-0-	5,748,121.05	189110	0.02	(1,290,559.59)	-0-	-0-	(1,290,559.59)
189000	0.04 Outfall/Sewer Lines	-	-0-	-0-	-0-	-0-	-0-	189110	0.04	-0-	-0-	-0-	-0-
189200	0.01 Operation & Sup Equip.	496,376.76	-0-	-0-	-0-	-0-	496,376.76	189210	0.01	(262,024.36)	(17,557.71)	-0-	(279,582.07)
189200	0.02 Operation & Sup Equip.	479,420.05	90,406.31	-0-	-0-	-0-	569,826.36	189210	0.02	(142,641.98)	(16,025.87)	-0-	(158,667.85)
189300	0.01 Tools & Test Equip.	237,773.88	-0-	-0-	-0-	-0-	237,773.88	189310	0.01	(403,763.78)	(2,385.03)	-0-	(406,148.81)
189300	0.02 Tools & Test Equip.	182,735.25	-0-	-0-	-0-	-0-	182,735.25	189310	0.02	(194,458.19)	(47,653.51)	-0-	(242,111.70)
189300	0.03 Tools & Test Equip.	108,736.04	-0-	-0-	-0-	-0-	108,736.04	189310	0.03	(110,637.62)	-0-	-0-	(110,637.62)
189300	0.05 Tools & Test Equip.	247,530.85	-0-	-0-	-0-	-0-	247,530.85	189310	0.05	(197,796.84)	-0-	-0-	(197,796.84)
189400	0.01 Mobile Equipment	2,490,858.11	-0-	(56,850.00)	-0-	-0-	2,434,008.11	189410	0.01	(1,077,744.74)	(145,238.87)	11,370.00	(1,211,613.61)
189400	0.02 Mobile Equipment	1,293,187.04	379,236.88	(443,236.00)	-0-	-0-	1,229,187.92	189410	0.02	(674,357.09)	(49,001.51)	38,089.30	(685,269.30)
189400	0.03 Mobile Equipment	22,437.03	-0-	-0-	-0-	-0-	22,437.03	189410	0.03	(8,974.82)	(4,487.41)	-0-	(13,462.23)
189500	0.01 Office Furn. & Equip.	152,151.16	56,677.40	-0-	-0-	-0-	208,828.56	189510	0.01	(202,648.97)	(12,798.42)	-0-	(215,447.39)
189500	0.02 Office Furn. & Equip.	234,040.91	14,089.00	-0-	-0-	-0-	248,129.91	189510	0.02	(271,630.89)	(8,633.46)	-0-	(280,264.35)
189500	0.03 Office Furn. & Equip.	4,849.56	-0-	-0-	-0-	-0-	4,849.56	189510	0.03	(4,702.60)	-0-	-0-	(4,702.60)
189600	0.01 Land & Right-Of-Ways	421,632.89	-0-	-0-	-0-	-0-	421,632.89						
189600	0.02 Land & Right-Of-Ways	2,727,229.91	-0-	-0-	-0-	-0-	2,727,229.91						
189600	0.04 Land & Right-Of-Ways	-	-0-	-0-	-0-	-0-	-0-						
		<u>79,659,821.65</u>	<u>15,334,596.45</u>	<u>(500,086.00)</u>	<u>-0-</u>	<u>-0-</u>	<u>94,494,332.10</u>		<u>(17,205,424.29)</u>	<u>(323,330.22)</u>	<u>49,459.30</u>	<u>-0-</u>	<u>(17,479,295.21)</u>

Source: District capital asset records

Notes: Building & Facilities, and Outfall/Sewer Lines are not depreciated per GASBS 34" Modified Approach" to capital assets

SOUTH DAVIS SEWER DISTRICT
Capital Asset Additions (Unaudited)
For the Year Ended December 31, 2017

Schedule 28

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
BUILDINGS AND FACILITIES (182000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IMPROVEMENTS OTHER THAN BUILDINGS (184000)							
Installation of Storm Drain 1200N	1993		\$ 28,892.78				\$ 28,892.78
SUBTOTAL		\$ -	\$ 28,892.78	\$ -	\$ -	\$ -	\$ 28,892.78
CONSTRUCTION WORK IN PROGRESS (188000)							
ABNR Facility Construction (Clearas)	6515				\$ 3,832,397.00		\$ 3,832,397.00
ABNR Facility Construction (SDSD)	6516				1,248,837.20		1,248,837.20
WRR Energy Project Alder Construction Draws 1-8	6514				6,567,759.46		6,567,759.46
WRR Energy Project Aqua Engineering	6517				791,101.42		791,101.42
SUBTOTAL		\$ -	\$ -	\$ -	\$ 12,440,095.08	\$ -	\$ 12,440,095.08
OUTFALL/SEWER LINES (189000)							
2017 Contributed Deeded Sewer Lines		2,325,199.00					\$ 2,325,199.00
SUBTOTAL		\$ 2,325,199.00	\$ -	\$ -	\$ -	\$ -	\$ 2,325,199.00
OPERATION & SUPPORT EQUIPMENT (189200)							
Cummings Standby Generator (SP)	2072		17,850.00				\$ 17,850.00
Washer Box Grinder (NP)	5937		\$ 8,897.75				\$ 8,897.75
Belt Press (SP)	2071		63,658.56				63,658.56
SUBTOTAL		\$ -	\$ 90,406.31	\$ -	\$ -	\$ -	\$ 90,406.31
TOOLS AND TEST EQUIPMENT (189300)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
MOBILE EQUIPMENT (189400)							
2003 Case Front End Loader 621D	3405		\$ 52,962.15				\$ 52,962.15
2018 Ford F150 Truck 95606	3406		55,955.00				55,955.00
1999 Articulating Boom Lift	3404		10,619.73				10,619.73
John Deere FE 4WD Loader	3402		129,850.00				129,850.00
John Deere FE 4WD Loader	3403		129,850.00				129,850.00
SUBTOTAL		\$ -	\$ 379,236.88	\$ -	\$ -	\$ -	\$ 379,236.88
OFFICE FURNITURE & EQUIPMENT (189500)							
GIS Development Engineering Azteca/Hendrickson	3558	\$ 37,108.40					\$ 37,108.40
PowerEdge T430 Server	4410	19,569.00					19,569.00
Dell OptiPlex Desktop Computers (11)	3557		\$ 14,089.00				14,089.00
SUBTOTAL		\$ 37,108.40	\$ 14,089.00	\$ -	\$ -	\$ -	\$ 70,766.40
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
GRAND TOTAL		\$ 2,381,876.40	\$ 512,624.97	\$ -	\$ 12,440,095.08	\$ -	\$ 15,334,596.45

Source: District capital asset records

Notes : Building & facilities, and outfall/sewer lines are not depreciated per GASBS 34 "Modified Approach" to capital assets

SOUTH DAVIS SEWER DISTRICT
Capital Asset Deletions (Unaudited)
For the Year Ended December 31, 2017

Schedule 29

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	-0-	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2017 Ford F350 4x4 Crewcab	3550	\$ 56,850.00				\$ 56,850.00
2017 Ford F150 4x4 Crewcab	3456		\$ 47,410.00			47,410.00
John Deere 544 K Loader (Alder)	3556		129,850.00			129,850.00
John Deere 544 K Loader Forks (Alder)	3556		6,276.00			6,276.00
John Deere 544 K Loader (Buyback)	3402		129,850.00			129,850.00
John Deere 544 K Loader (Buyback)	3403		129,850.00			129,850.00
SUBTOTAL		\$ 56,850.00	\$ 443,236.00	\$ -	\$ -	\$ 500,086.00
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 56,850.00	\$ 443,236.00	\$ -	\$ -	\$ 500,086.00

Source: District capital asset records

Notes: Building & facilities, and outfall/sewer lines are not depreciated per GASBS34" Modified Approach" to capital assets

SOUTH DAVIS SEWER DISTRICT
Capital Asset Transfers (Unaudited)
For the Year Ended December 31, 2017

Schedule 30

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						-0-
Carport Parking Structure SP	6510		\$ 9,922.60			\$ 9,922.60
SUBTOTAL		-0-	\$ 9,922.60	-0-	-0-	\$ 9,922.60
CONSTRUCTION WORK IN PROGRESS (188000)						
Carport Parking Structure SP			\$ (9,922.60)			\$ (9,922.60)
SUBTOTAL		-0-	\$ (9,922.60)	-0-	-0-	\$ (9,922.60)
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	-	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ -	\$ -

Source: District capital asset records

Notes: Building & facilities, and outfall/sewer Lines are not depreciated per GASBS34" Modified Approach" to capital assets

SOUTH DAVIS SEWER DISTRICT
Construction in Progress (CIP) (Unaudited)
For the Year Ended December 31, 2017

Schedule 31

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
Carport Parking Structure SP	6510				\$ (9,922.60)	\$ (9,922.60)
WRR Energy Project Alder Construction Draws 1-8	6514				6,567,759.46	6,567,759.46
ABNR Facility Construction (Clearas)	6515				3,832,397.00	3,832,397.00
ABNR Facility Construction (SDSD)	6516				1,248,837.20	1,248,837.20
WRR Energy Project Aqua Engineering	6517				791,101.42	791,101.42
SUBTOTAL		\$ -	\$ -	\$ -	\$ 12,430,172.48	\$ 12,430,172.48
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	\$ -	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ 12,430,172.48	\$ 12,430,172.48

Source: District capital asset records

Notes: Building & Facilities, and Outfall/Sewer Lines are not depreciated per GASBS34" Modified Approach" to capital assets

SOUTH DAVIS SEWER DISTRICT
Expenses by Function (Unaudited)
Last Ten Fiscal Years

Schedule 32

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
12008	\$ 1,062,787	\$ 2,398,117	\$ 2,042,642	\$ 309,300	\$ 5,812,846
2009	\$ 1,193,312	\$ 2,848,451	\$ 1,657,519	\$ -	\$ 5,699,282
2010	\$ 1,141,213	\$ 2,766,897	\$ 3,217,837	\$ -	\$ 7,125,947
2011	\$ 1,301,539	\$ 2,791,597	\$ 3,350,410	\$ -	\$ 7,443,546
2012	\$ 1,230,974	\$ 3,459,306	\$ 2,822,042	\$ -	\$ 7,512,322
2013	\$ 1,358,286	\$ 4,049,164	\$ 2,127,162	\$ -	\$ 7,534,612
2014	\$ 1,650,804	\$ 3,534,549	\$ 2,201,175	\$ -	\$ 7,386,528
2015	\$ 1,698,607	\$ 4,245,168	\$ 1,360,467	\$ -	\$ 7,304,242
2016	\$ 2,032,653	\$ 3,208,443	\$ 1,182,621	\$ -	\$ 6,423,717
2017	\$ 1,037,903	\$ 1,950,307	\$ 12,494,590	\$ 451,461	\$ 15,934,260

Source: District accounting records, Zions Bank, trust department.

Notes: ¹Revenue bonds were refunded in October of 2003 and matured on 12/31/08.

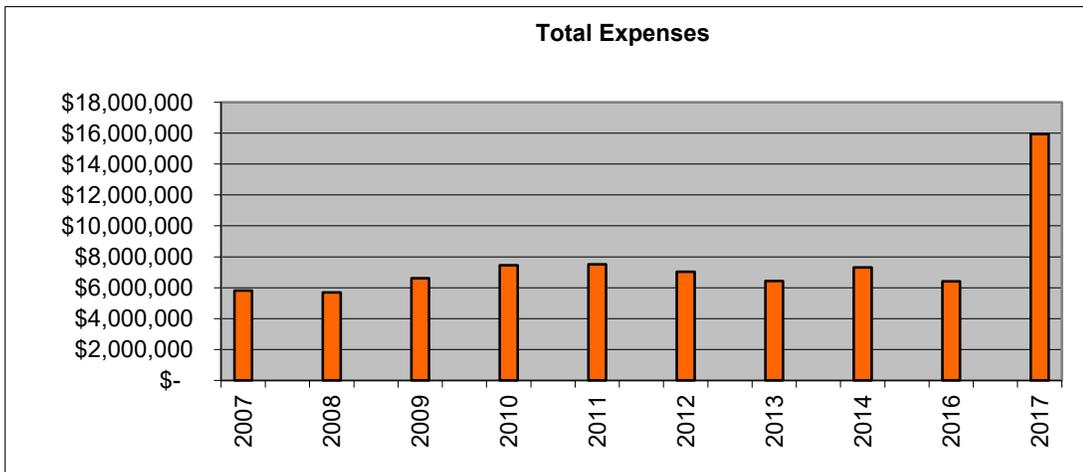
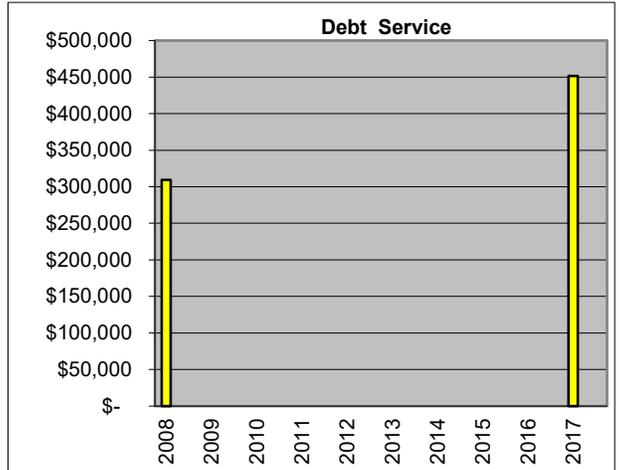
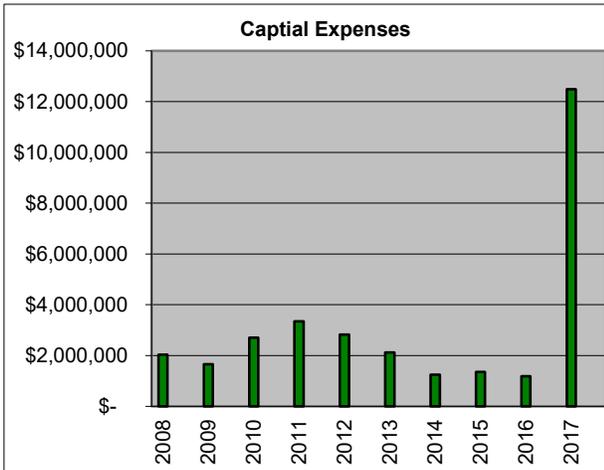
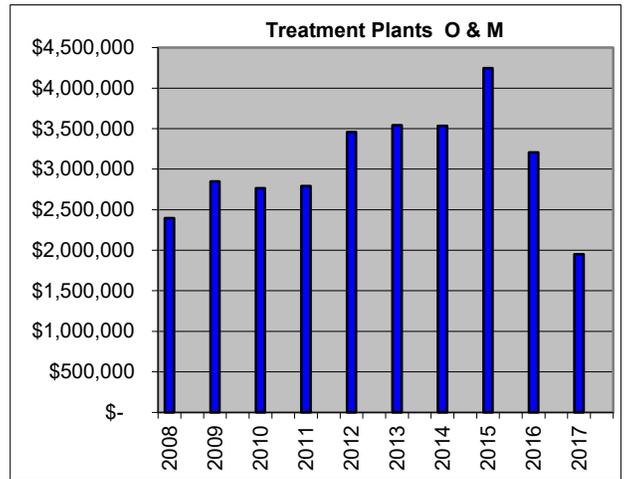
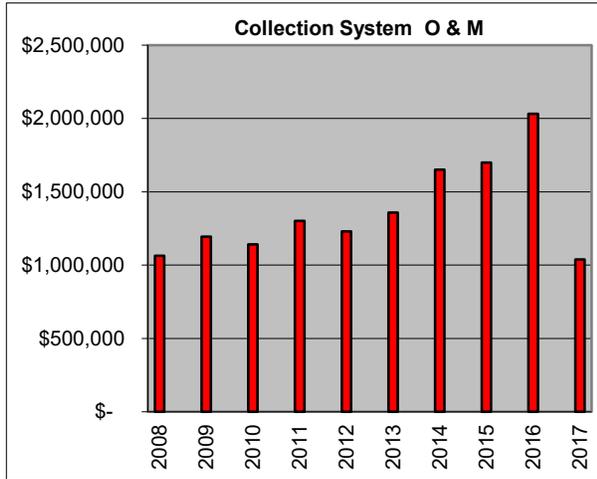
²Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.

Treatment Plants include Pre-treatment, OU2 facility and WQG expenses

Total expenses exclude depreciation expense

SOUTH DAVIS SEWER DISTRICT

Expenses by Function (Unaudited) Last Ten Fiscal Years



Source: District accounting and financial records, Zions Bank trust department.

Notes: Revenue bonds were refunded in October of 2003 and matured in December of 2008

SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage (Unaudited)
For the Year Ended December 31, 2017

Schedule 34

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Philadelphia Olympus Insurance Agency	PHPK1754717	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/17 to 1/1/18
Philadelphia Olympus Insurance Agency	PHUB8612738	Excess Liability (\$10,000,000)	1/1/17 to 1/1/18
Philadelphia Olympus Insurance Agency	GWPKG0154303	Property (\$52,030,580)	1/1/17 to 1/1/18
Philadelphia Olympus Insurance Agency	GWPKG0154303	*Fidelity Bond (\$750,000) Treasurer	1/1/17 to 1/1/18
Philadelphia Olympus Insurance Agency	GWPKG0154303	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/17 to 1/1/18
Worker Compensation Fund	1494897	Workers Compensation	1/1/17 to 1/1/18

Source: Olympus Insurance Agency, WCF of Utah and District records

Notes: In accordance with Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council, the insurance bonds are calculated from the previous years budget (2016 amended budget). Settled claims have not exceeded commercial excess coverage in any of the past three years.

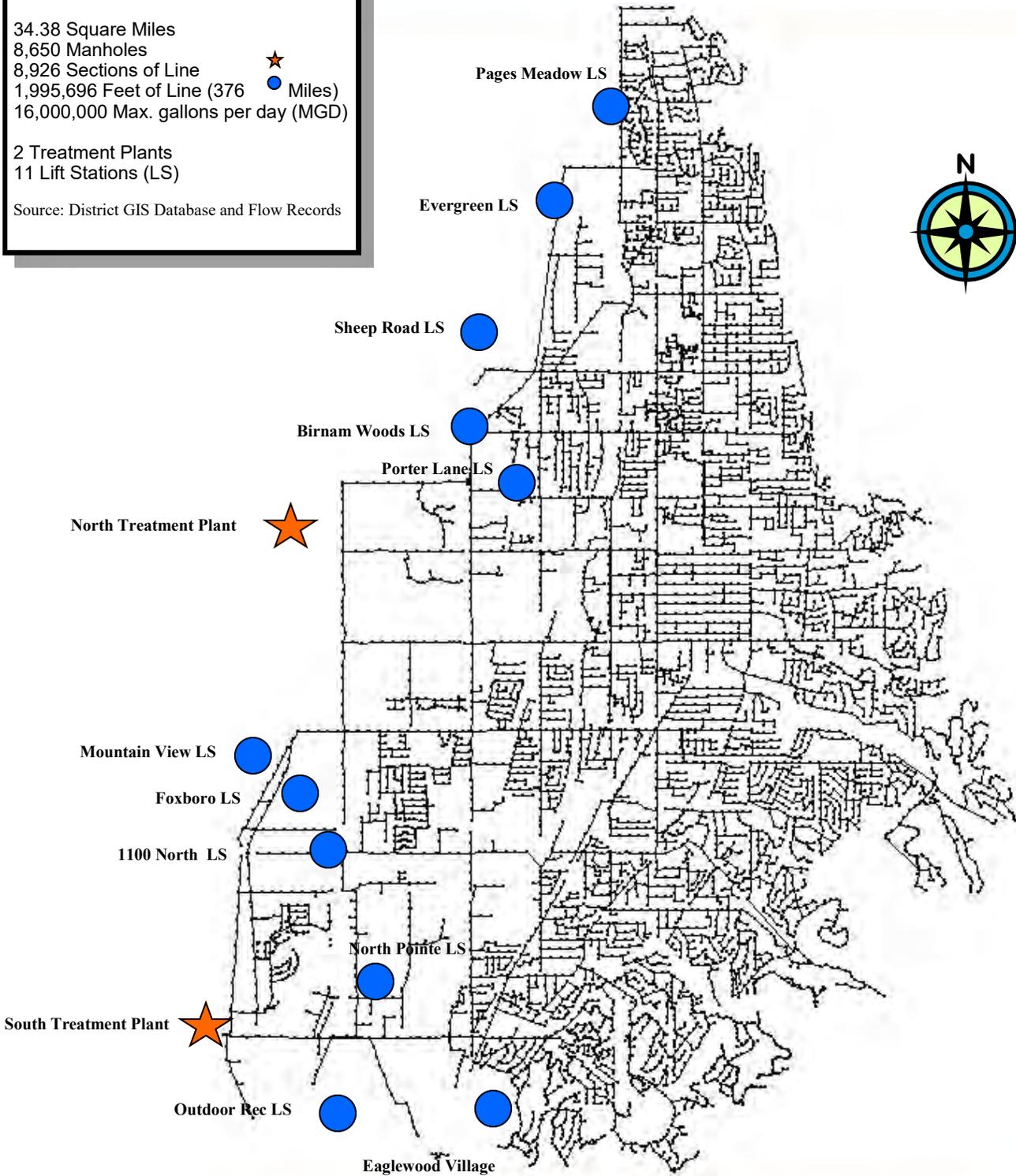
SOUTH DAVIS SEWER DISTRICT
 Wastewater System
 For The Year Ending December 31, 2017

Statistics

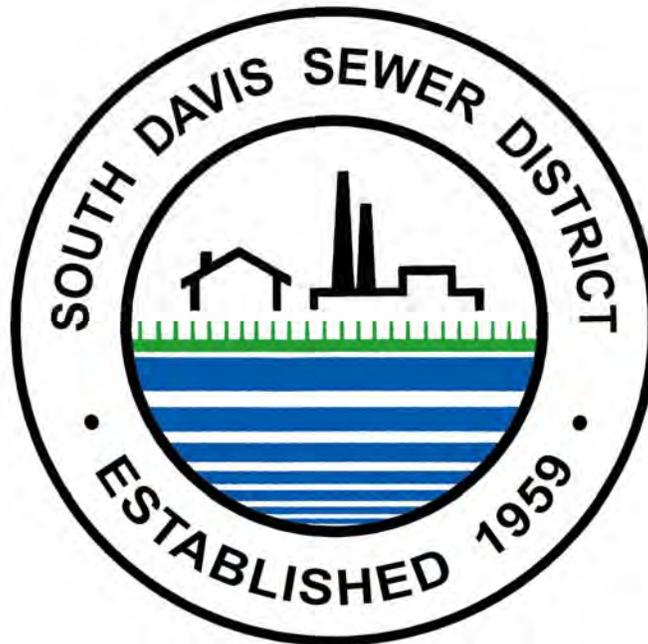
- 34.38 Square Miles
- 8,650 Manholes
- 8,926 Sections of Line
- 1,995,696 Feet of Line (376 Miles)
- 16,000,000 Max. gallons per day (MGD)

2 Treatment Plants
 11 Lift Stations (LS)

Source: District GIS Database and Flow Records



COMPLIANCE SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

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**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
South Davis Sewer District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the "District") as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the 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 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 of 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 determination of financial statement amounts. 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 *General Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Karen Hendrix, Slagg, Allen & Company". The signature is written in a cursive style.

Salt Lake City, Utah
July 18, 2018



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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**INDEPENDENT AUDITOR’S REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE
AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**

Board of Trustees
South Davis Sewer District

Report On Compliance

We have audited the compliance of South Davis Sewer District’s (the “District”) with the following applicable compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2017.

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meetings Act
- Treasurers Bond
- Utah Public Finance Website
- Tax Levy Revenue Recognition
- Special and Local Service District Board Members

Management’s Responsibility

Management is responsible for compliance with the state compliance 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*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on 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 with general state compliance requirements 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, South Davis Sewer District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended December 31, 2017.

Opinion

In our opinion, South Davis Sewer District complied, in all material respects, with the state compliance requirements referred to above the year ended December 31, 2017.

Report On Internal Control over Compliance

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



Salt Lake City, Utah
July 18, 2018

SOUTH DAVIS SEWER DISTRICT
South Treatment Plant
North Salt Lake, Utah

