

**SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah**

Annual Comprehensive Financial Report
For the Fiscal Years Ended December 31, 2023 and 2022



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful ,Utah



Annual Comprehensive Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Years Ended December 31, 2023, and 2022

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SOUTH DAVIS SEWER DISTRICT
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INTRODUCTORY SECTION





South Davis Sewer District

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June 28, 2024

To the Chair, 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 Annual Financial Report for the year ended December 31, 2023, 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.

Squire and Company, P.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, 2023, 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 unmodified opinion that the District's financial statements for the fiscal year ended December 31, 2023, fairly represent conformity with GAAP.

GAAP requires 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 *Annual Financial Report* 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 Section** includes the independent auditor's reports on internal control, federal compliance, and state 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 anticipated growth. The five cities and Davis County formed the District in 1959 to meet the area-wide need for wastewater collection and treatment.

Other Key Capital Milestones for South Davis Sewer District:

- District Created: 1959
- North Plant Construction: 1962
- South Plant Construction: 1962
- North Plant Expansion: 1991
- South Plant Expansion: 1994
- Bountiful City transfers sewer to District: 2004
- South Plant Upgrades: 2023
- North Plant Upgrades: 2027 (anticipated)

The District currently serves a total population of approximately 106,500 (Facilities Plan 2020 update). The District estimates the saturation population to be 120,486.

This agrees closely with the Wasatch Front Regional Council's current estimate for the year 2040 population of 120,155. Build-out will likely 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". The District will be using a population of 120,000 for planning and design purposes.

Compliance with the recent changes in discharge permit limits for phosphorus and nitrogen requires significant upgrading of our treatment processes. The South Plant was the first to be upgraded. All construction activity is complete, but final project closeout is still underway. The total cost for South Plant upgrades will likely be roughly \$16-17 Million.

In May of 2024 the North Plant Construction was bid and the lowest bid price was \$87,234,452. This brings the total capital cost for nutrient removal at both the North and South Plants to over \$100,000,000. These costs will be financed and constitute a significant O&M debt service burden to District ratepayers.

These construction costs are significantly more than planning estimates indicated only a few years ago. Total cost for both the North and South Plant upgrades was estimated in 2020 to be approximately \$50 Million. A review of the cost estimate in 2022 indicated that the total cost may be closer to \$80 Million, and now the District is facing a final total build cost of potentially closer to \$110-120 Million. This construction cost escalation is likely a result of unprecedented cost inflation over the past several years due to COVID-19 impacts as well as enormous amount of light and heavy industrial and commercial construction taking place both locally.

Governance

Davis County organized the District as an independent special district in response to petitions by the member cities of the District under Title 17B of the Utah Code.

A seven-member Board of Trustees governs the District. 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 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 chair and vice-chair from its members to serve two-year terms. A General Manager who serves the pleasure of the Board directs day-to-day operations.

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. The 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. Online training is also available. All Board members comply with this requirement.

Finance

Financial Guidelines

The Board of Trustees has adopted the following:

- Revenues should be enough 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 be 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 balances 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.

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.

Long Term Financial Planning

The District has a written Facilities Plan. This plan is reviewed at intervals of five years or less. The Plan has been reviewed in detail in each of the last three years because of the current amount of capital planned. 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 then adjusts impact fees, user fees, and tax assessments as needed.

Rates

The below table is a history of District User Rates:

YEAR	MONTHLY RATE	ANNUAL RATE
1961	\$3.00	\$36
1980	\$2.75	\$27
1988	\$5.00	\$60
2018	\$10.00	\$120
2021	\$15.50	\$186
2022	\$19.00	\$228

It is likely that User Rates will increase again in 2024 by \$6-8 per month, to continue financing North Plant Improvements mandated by the State of Utah.

The District uses internal spreadsheet tools as well as outside financial advisory services to keep close inventory of revenue vs. expense in order to manage financial stability. The District used to simply periodically retain the services of an outside financial consultant to perform a rate study. However, in recent years of unprecedented inflationary pressures and regulatorily mandatory new construction and operation activities, the District has taken a more hands-on approach to ensure that user rates are carefully evaluated continuously.

Compared to peers, the District user rate is still less than, but likely to increase to become closer to the average Wasatch Front sewer rate. The Wasatch front average sewer rate is under the national average.

Property Tax

Historically, the District has funded its operations with both sewer user rates and a property tax. This has provided some level of equity between large and small users and between residential and industrial users. A larger home pays more in property tax, while a small apartment pays the minimum user fee.

Each year the Utah Tax Commission calculates a “Certified Tax Rate” for each local government entity. This rate provides the entity with the same amount of revenue that it received from property taxes the previous year plus any increased revenue due to growth, but not for appreciation of property values. If the entity needs to increase its property tax revenue, it must follow a “Truth in Taxation” procedure to include public notices, public hearings, etc. Since the mid-eighties when this program began, the District has adopted the Certified Tax Rate. Over time this has eroded the balance between user fees and property tax revenues.

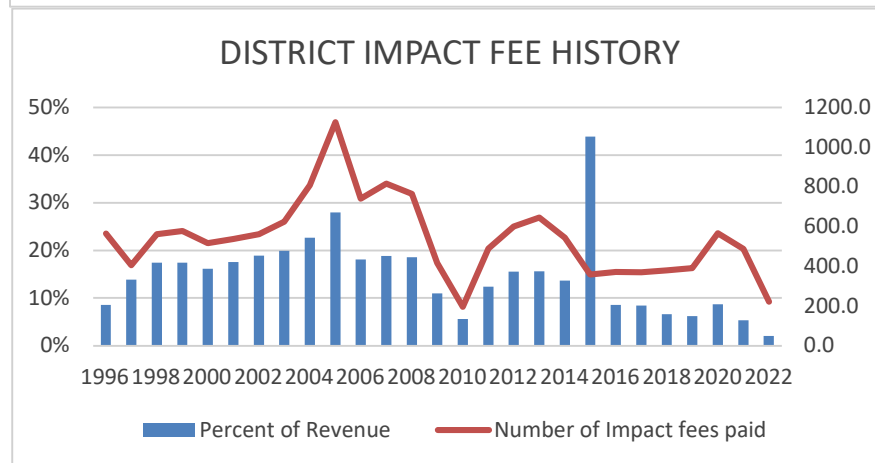
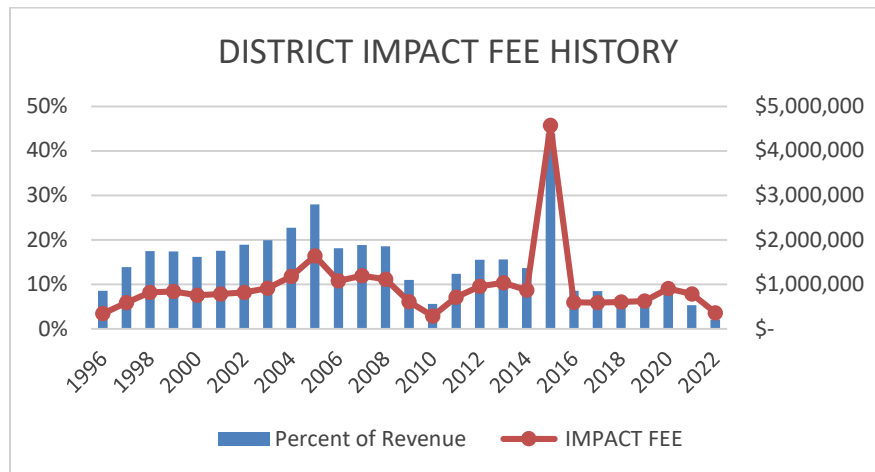
Toward the end of 2023, the District increased property tax by 50% to be effective in 2024. This is to provide revenue for increased operating expenses. More increase may be necessary depending on how the Board determines to split operations costs

between user rates and property tax. The Districts current certified tax rate is 0.000456 and targets an annual revenue of \$6.25 Million.

Impact Fees

In 2023, the District, with the assistance of Capex planning and AQUA Engineering completed a review of its impact fees in accordance with State Statute. The impact fee was increased from \$1,596 for a single-family residence to \$2,453. This impact fee represents the value of the infrastructure provided to a new home that has been built and financed by existing District users.

Impact Fees are becoming an attenuating percentage of revenue available for capital improvement projects as Southern Davis County approaches buildout conditions. As such, property tax and sewer rates have necessarily increased to fund those activities and will likely become the majority of funds used in those activities. The following charts show the stark decline from 2021 to 2022. In 2015 a single large industrial user paid impact fees so that year is an outlier in terms of total dollar value and percent of district revenue.



Bonding

The construction of the Wasatch Resource Recovery (WRR) project discussed below is a joint venture. The District and ALPRO SD, our private 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 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 legally liable for the debt service on these bonds. However, the District maintains a 'Moral Obligation' to these bonds which has significant impact on creditworthiness for securing bonding for other capital projects.

In December 2019, the District closed bond funding (Series 2019) for the North and South Plant rehabilitation and nutrient removal projects in the amount of \$12,179,000. This was a private placement bond. The All-Inclusive Cost (AIC) interest rate is 2.2450316% The approximate annual debt service is \$789,000.

The District again issued series 2021 Bonds in the amount of \$10,000,000. This was also a private placement bond. The All-Inclusive Cost (AIC) interest rate is 2.1329094%. The approximate annual debt service is \$614,000.

Additional bonding will be needed to complete the North Plant project. In June of 2024, the District Board of Trustees adopted a parameters resolution allowing for up to \$90,000,000 of bond issuance toward the North Plant Improvements.

Current Major Activities - Accounting

Annual Comprehensive Financial Report

The District has chosen to produce this *Annual Comprehensive Financial Report* in support of its required annual audit. The purpose of the *Annual Comprehensive Financial Report* is to assist the user in assessing the District's financial condition and performance. This *Annual Comprehensive Financial Report* is not required, but according to GASB Codification Sec. 2200.101, "every government entity should prepare and publish, as a matter of public record, an *Annual Comprehensive Financial Report* 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.

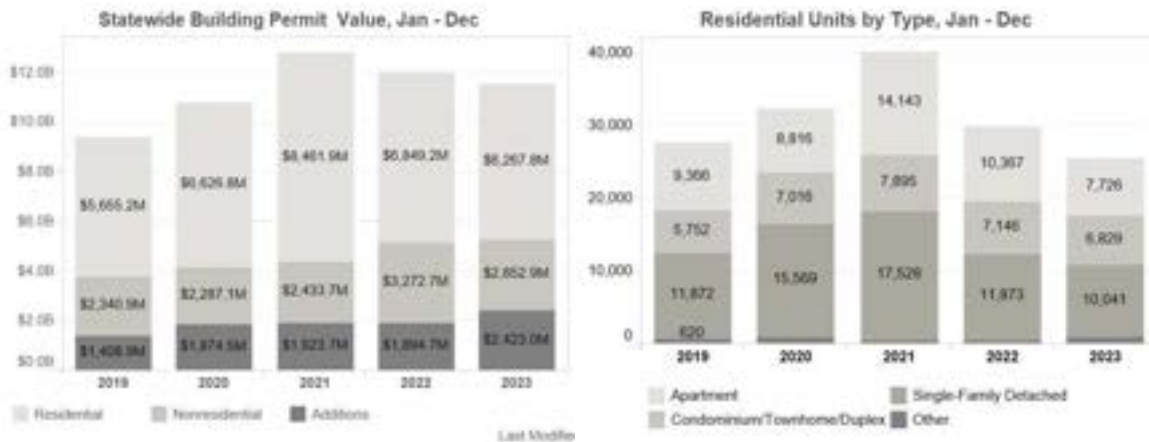
Local Economy

Construction & Development

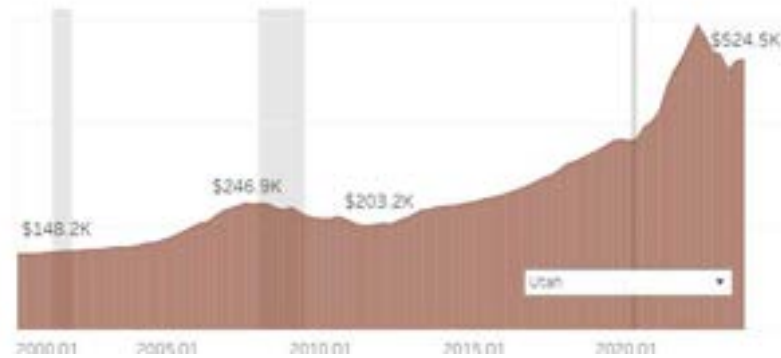
With developable land in the District becoming scarcer in supply, the number of high-density development projects continues to increase relative to traditional single-family dwellings. Housing inflation reached a peak in 2022. The Davis County Assessor's office reported that in January of 2022 the median assess home value in Davis County was \$400,000. This crested in mid-2022 at \$456,000 and ended up back down to \$402,000 in January of 2023, essentially where it started. During the course of 2023 and into early 2024, home values steadily rose.

Record inflation coupled with increased interest rates from the Federal Reserve, are the likeliest causes for this decline, although time will tell if this trend continues. Perhaps the largest local indicator of this downward trend for the District is the impact fees collected.

Statewide indicators, however, also show a decline in housing construction. The two charts below from the Kem C. Gardner Policy Institute's Ivory-Boyer Construction Report and Database show that the building permit total value decreased from 2021 to 2023, and the total number of new residential units went down.

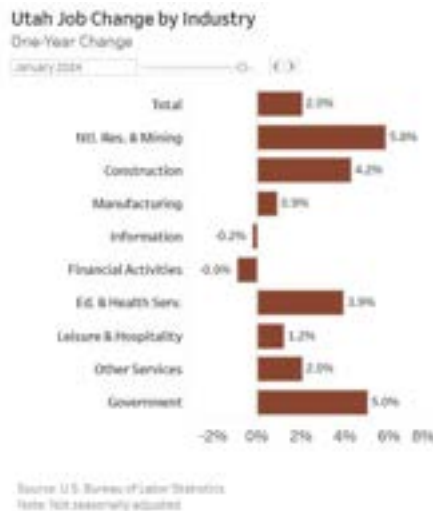


The median value across all of Utah showed a similar decrease in median value that the county assessor described for Davis County. This can be seen in the graph from the Kem C. Gardner Policy Institute below:



Employment

Since 2010, Utah’s job growth has remained well above the U.S. average. Below are charts showing job growth by industry sector for Utah in 2023, and unemployment by county in Utah as of the end of 2023.



Current Economic Conditions

In the post-covid economy, “unsettled normalcy” is the best description of what Utah’s best economic minds and institutions have indicated. In the summary section of the Utah Economic Council’s report to the Governor for 2024 the following paragraph provides a nutshell statement:

“The remarkably resilient U.S. economy grew in 2023, buoyed by strong labor markets, continued consumer spending, and carryover effects from economic stimulus. As interest rates rose, inflation steadily declined, but remained above the 2% target. Entering 2024, the economy faces unsettled normalcy, with many economic indicators trending toward historic norms, but others still not fully stabilized. The Utah Economic Council projects continued economic growth in 2024, albeit at a decelerated pace compared to 2023.”

The Utah Economic Council surveyed its membership regarding the possibility of recession. Below are the results:

- 0% of respondents believe Utah is currently in recession
- 7% of respondents believe the U.S. is currently in recession
- 20% median probability of recession in Utah is the consensus respondent prediction
- 30% median probability of recession in the U.S. is the consensus respondent prediction

Again, with significant economic uncertainty cutting across many sectors, only time will tell. Historically, the District has not had to significantly change its operations in times of recession, however management will continue to monitor and adjust as necessary.

Current Major Activities – Human Resources

One of the key elements in the District's success is the quality of its workforce. There will likely be approximately 6-8 employees retiring over the next 5-10 years. As nutrient removal facilities come on-line at both plants, additional operators and maintenance personnel will be required. Finding qualified and motivated replacements is likely to be a challenge. There are a few established pathways leading to employment in the industry. The District's compensation needs to be competitive, but we must 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 trained before existing employees retire and to staff Wasatch Resource Recovery. Because of the pandemic and the Federal stimulus program, Utah is experiencing extraordinarily tight conditions in the labor market. The Wasatch Front is also experiencing a high level of growth and construction with resulting low levels of unemployment. The response to recent recruiting efforts has been poor.

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. 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. The Utah Public Employees Health Plan, which is a part of the Utah Retirement Systems, was 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 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 allow 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 employees’ 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 significant.

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 District facilities.

Current Major Activities - Regulatory Issues

Emerging Constituents of Concern

The most recent Emerging Constituents of Concern (ECC) are Polyfluoroalkyl Substances (PFAS). PFASs include many chemicals that are used in food packaging and making things grease- and stain-resistant. They are also used in firefighting foams and in a wide range of manufacturing processes. Minute traces of these elements are found in wastewater.

PFAS are of particular concern in the land application of biosolids which is the preferred method of beneficial use of our biosolids. EPA, research groups and industry groups are urgently studying the presence and fate of PFAS in biosolids and grappling with how to regulate PFAS. Some states have already adopted limits for PFAS in biosolids and soils. The POTWs in Utah are working together to gather information and guidance on this issue and to arrange for sampling and testing of biosolids and soils.

PFAS could have significant impact on required treatment and distribution of biosolids. This, in turn, would impact biosolids costs.

Utah Pollutant Discharge Elimination System (UPDES) Permit Renewal

The District has been working with the Utah Division of Water Quality for the past several years on iterations of the UPDES permits for both the North and South Plants. Based on various factors, the permitted limits for ammonia have been one of the main focal points. As indicated earlier in this letter, ammonia (and phosphorus) limits are the main drivers of necessary upgrades to both plants.

The Wasatch Front Water Quality Council

The District has joined nine other Publicly Owned Treatment Works (POTW) 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 full-time PhD level scientist to assist the group in understanding and responding to technical issues and to direct research contracts funded by the group.

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 planning issues such as procuring equipment, materials, transportation, etc. We 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 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, total residual chlorine, and recently phosphorus. The plants must also routinely conduct Whole Effluent Toxicity (WET) testing. This is a biological test involving extremely sensitive sentinel species to detect any toxicity in the treatment plant effluent.

Violation of these permit limits can result in significant fines. 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 when they occur.

North Plant

As discussed, lower ammonia limits have created difficulty for the North Plant to achieve consistent compliance. This can happen when stressors on the process biology cause sub optimal performance. The District has had recent Violations with regard to ammonia and has settled these with the State, with stipulated penalties going forward until the new upgrades are online and treating for ammonia.

South Plant

The South Plant had good compliance for 2023.

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 - Wasatch Resource Recovery (WRR)

Resource Recovery

The wastewater and waste management industries have undertaken to rebrand waste treatment/management facilities as resource recovery facilities. This has been done to encourage a change in thinking about the role of these facilities in the economy and the environment. Waste a pollutant to be gotten rid of, but a resource to be recovered and reused.

Food waste is the largest waste stream in the United States, and it is the least recycled. According to the EPA, 97% of all food waste is landfilled. 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.

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.

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

These organic wastes are extensively pretreated and then anaerobically digested. The methane gas produced by digestion is scrubbed of impurities and injected into the natural gas utility system.

ALPRO developed contracts with Dominion Energy and British Petroleum for the transport and sale of the Renewable Natural Gas (RNG) produced by the project. WRR has contracts with Dominion Energy to transport the RNG and contracts to purchase the renewable natural gas are held by several offtakes including British Petroleum and other buyers. Over the last several years, the market for RNG has strengthened considerably. The current pricing is as much as \$25 per dekatherm for heating value and renewable attributes combined. WRR management is seeking to maximize this revenue.

On March 6, 2017, the District entered a joint venture 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 Wasatch Resource Recovery project is a joint venture. A six-member management committee governs this enterprise. The District and ALPRO each appoint 3 members of this committee.

The WRR project began with challenges on several fronts. Construction schedules lagged due to specialty equipment delays, commissioning was problematic due to problems with those same vendors and then pandemic closures and other supply chain challenges continued those delays while also impacting feedstock supply chain.

The Project began selling RNG January 2021. RNG has been delivered to sale intermittently since that time. Pandemic supply chain delays as well as faulty equipment continued to delay reliably selling RNG through most of 2022. In 2023, major progress was finally made with regards to stable equipment operation, however there were still problems with reliable operation. In 2023 additional improvements enabled more stable sale of RNG, and production continued to increase.

There is some discussion regarding bringing in a new partner to assist in making improvements necessary to stabilizing operations and increasing profitability of the WRR asset. These discussions are ongoing at the time of this report.

Current Major Activities - Treatment Plants

North Plant

As already mentioned in this letter of transmittal, the District bid out construction of improvements at the North Plant in May of 2024. The capital spend is anticipated to be around \$90-95 Million between engineering and construction.

Construction must be completed by August of 2026. This date is part of the North Plant UPDES permit and enforceable as such.

This plant is generally in a clean, orderly, and workmanlike condition. There is no known deferred maintenance, that is not addressed in the plant rehabilitation project, which would adversely affect permit compliance or the life of significant, existing plant assets

South Plant

This plant is generally in a clean, orderly, and workmanlike condition. There is no known deferred maintenance, that is not addressed in the plant rehabilitation project, 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 and WRR operations is a significant part of operations. Regulations pertaining to biosolids are detailed and demanding. Compliance with regulations and maintaining viable biosolids management 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 strives to maintain, improve, and protect the environment during the production and treatment of biosolids. The District makes every effort to ensure that the public is not endangered or inconvenienced by the production and treatment of biosolids. The District seeks to comply with 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.

Current Major Activities - Collection System

The District maintains a comprehensive asset management system using Cityworks software to track conditions in the collection system. This system when used by the extensively qualified District operations staff, is key to prioritizing projects for rehabilitation mostly using cured-in-place pipe technology.

Laterals

The District has its own equipment for lining 4-inch diameter laterals. We have lined an average of 90-100 laterals per year, saving the District and homeowners many thousands of dollars per project.

The District's lateral lining program provides an effective way for the District to rehabilitate the District-owned portion of a lateral that has roots and/or structural deficiencies. In the event that the problem(s) are in both the District-owned and the privately-owned portion of an owner-occupied residential lateral, the District works with the property owner to line their portion of the lateral. The cost to line the privately-owned portion of the lateral is billed back to the property owner. The District takes no responsibility for commercial laterals, including rentals.

The table and chart below show the work orders associated with lateral linings completed for the three years leading up to and including this report year (based on actual finish dates). In addition to tasks related to lining the lateral (1- Line Lateral (CIPP)), which may include installing a clean out, it is critical that the District clean and maintain the lateral (1-Clean Lateral) between the time the lateral is identified for lining, and it can be lined. In some instances, the finished liner extends into the sewer main and must be trimmed following the lining (1-Cut Liner).

WORK ORDER	2021	2022	2023	TOTAL
1- Line Lateral (CIPP)	100	103	72	275
1-Clean Lateral	155	159	132	446
1-Cut Liner	54	68	27	149
TOTAL	309	330	231	870

Work Orders (Immediate and Unstable Damage)

The District generates work orders for immediate and unstable damage. These work orders are assigned a priority of URGENT. The tables and charts below show the number of work orders completed by our crews for immediate and unstable damage for the three years leading up to and including this report year.

ISSUED BY TYPE	2021	2022	2023	TOTAL
Installation/Repair	2	2	4	8
Maintenance	58	78	45	181
Miscellaneous	1	1	1	3
TOTAL	61	81	50	192

Work Orders (Stable Damage)

District staff generate work orders to stable damage, which are assigned a priority of HIGH, MEDIUM, or LOW depending on the nature and severity of the damage. Work orders for stable damage may not be completed for an extended period of time, but when crews are dispatched to repair a specific type of stable damage, they use priority to determine the order in which they will complete the work. The table and chart below show the total work orders completed by crew to address stable damage for the three years leading up to and including this report year.

STABLE DAMAGE WORK ORDERS COMPLETED BY TYPE OF WORK AND PRIORITY

TYPE OF WORK	PRIORITY	2021	2022	2023	TOTAL
Inspection/Record Updates	High	14	9	54	77
	Medium	375	420	238	1,033
	Low	0	0	37	37
	Total	389	429	329	1,147
Installation/Repair	High	10	4	38	52
	Medium	10	0	21	31
	Low	0	0	2	2
	Total	20	4	61	85
Maintenance	High	199	204	177	580
	Medium	203	187	165	555
	Low	0	0	1	1
	Total	402	391	343	1,136
Miscellaneous	High	4	0	2	6
	Medium	1	1	2	4
	Total	5	1	4	10
TOTAL		816	825	737	2,378

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. There is no deferred maintenance, which would adversely affect the performance, permit compliance, or the life of these assets.

Work Orders (Future)

The chart below shows the District's plan and budget for CIPP projects over the next 5 years. Because damage can happen in the interim time, this plan will change with those conditions.

Year	# of Projects	Priorities	Cost
2024	6	High /Med	\$ 543,112.29
2025	14	Urgent/High	\$ 611,787.06
2026	1	Med	\$ 724,409.94
2027	1	High/Med	\$ 655,705.81
2028	1	Med	\$ 628,903.89
2029	1	Med	\$ 340,602.00
2030	1	Med	\$ 388,808.28

Major Activities - Future

Accounting

The District uses a full accounting software package from Black Mountain Software to support WRR. The District employs a full-time accounting manager as well as 3 clerks for supporting accounts receivable, accounts payable and billing workload. The District recently began accepting credit card payments and also recently began outsourcing the preparation of user rate billings.

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 major safety and health related regulations require written program components, many of which are extensive. The District has developed, written, and implemented programs specific to our facilities.

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 in proper, safe work practices through regularly scheduled training sessions. They also get hands-on instruction and advice whenever necessary. In 2021 a safety and industrial hygiene consulting firm completed updating all the District's health and safety programs and documents.

The safety 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.

Cyber Security

The District worked closely with our IT services provider, Clearlink IT, to review and complete an application for cyber liability insurance at the end of 2021 that led to the purchase and implementation of new cyber security measures. Among those measures, the District entered into a contract with Adlumin for security information and event management, including 24x7 Security Operations Center (SOC) services. Additionally, the District integrated IRONSCALES email security services with Microsoft Office 365, augmenting protections for phishing and impersonation attacks that are on the rise. The District also implemented multifactor authentication on all email accounts and other online accounts where possible as well as on Virtual Private Network (VPN) connections for employees whose work activities require remote connection to District servers.

The District regularly hosts training with Olympus Insurance on cyber security and email fraud for all employees.

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

EPA has a superfund, groundwater remediation project for 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 half the amount that EPA had budgeted. Our twelve years of operating OU2 have been successful and about one-half of the originally proposed budget. Responsibility for OU2 has been transferred to the Utah Division of Waste Management and Radiation Control (DWMR). DWMR has asked the District to continue operating the system.

Risk Management

The District works closely with its insurance agent, Olympus Insurance, to retain a robust coverage in the following areas:

Property/equipment, Inland Marine, Crime, General Liability, Wrongful Acts/Professional Liability, Employment Practices, Liability, Automobile Liability, Automobile Physical Damage, Excess Liability, Cyber Liability, ID Fraud, Environmental Liability, and Workers Compensation.

The District believes in being proactive in providing a safe and healthy workplace for its employees. We provide training in-house and use resources such as the Utah Workers Compensation Fund and the Utah Safety Council. In addition to in-house safety inspections, we invite inspections by our liability insurance carrier and Utah OSHA consultation specialists.

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 *Annual Comprehensive Financial Report* for the fiscal year ended December 31, 2022. This was the 25th 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 Annual Comprehensive 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 *Annual Comprehensive 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."

An *Annual Comprehensive Financial Report* 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, an *Annual Comprehensive Financial Report* that encompasses all funds of the primary government." The District Board of Trustees agrees that good governance requires that the District produce an *Annual Comprehensive Financial Report*.

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 *Annual Comprehensive Financial Report* 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 *Annual Comprehensive Financial Report* and the Audit by our Accounting Manager, Mark R. Katter.

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,



Mathew Myers, P.E.
General Manager/Treasurer



Mark R. Katter, CPA
Accounting Manager/Clerk



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**South Davis Sewer District
Utah**

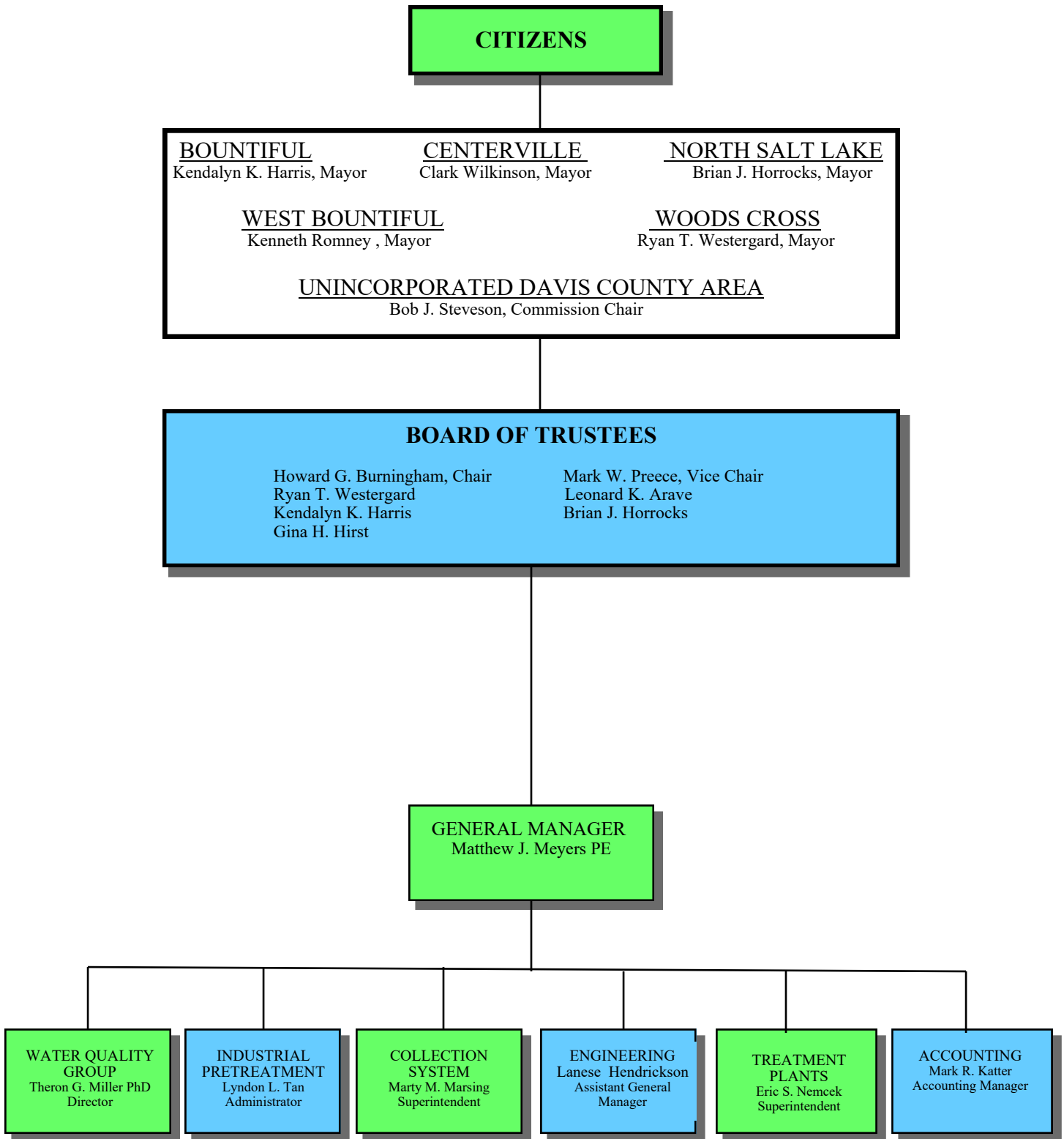
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO

SOUTH DAVIS SEWER DISTRICT
 Organizational Chart
 For the Year Ending December 31, 2023



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2023



Mark W. Preece



Howard G. Burningham



Ryan T. Westergard



Brian J. Horrocks



Kendalyn K. Harris



Gina H. Hirst



Leonard K. Arave

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Howard G. Burningham (elected)	Chair	District at Large	12/31/2025
Mark W. Preece (appointed)	Vice-Chair	West Bountiful	12/31/2024
Ryan T. Westergard (appointed)	Trustee	Woods Cross City	12/31/2024
Brian J. Horrocks (appointed)	Trustee	North Salt Lake City	12/31/2025
Kendalyn Harris (appointed)	Trustee	Bountiful	12/31/2025
Gina H. Hirst (appointed)	Trustee	Centerville	12/31/2027
Leonard K. Arave (appointed)	Trustee	District at Large	12/31/2025

Source: District human resource and election records

NOTICE OF ANNUAL MEETING SCHEDULE

BOARD OF TRUSTEES

SOUTH DAVIS SEWER DISTRICT

DAVIS COUNTY, UTAH

PUBLIC NOTICE is hereby given that the 2024 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	22nd
March	21st
April	11th
May	16th
June	20th
July	18th
August	15th
September	19th
October	17th
November	21st
December	5th

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.

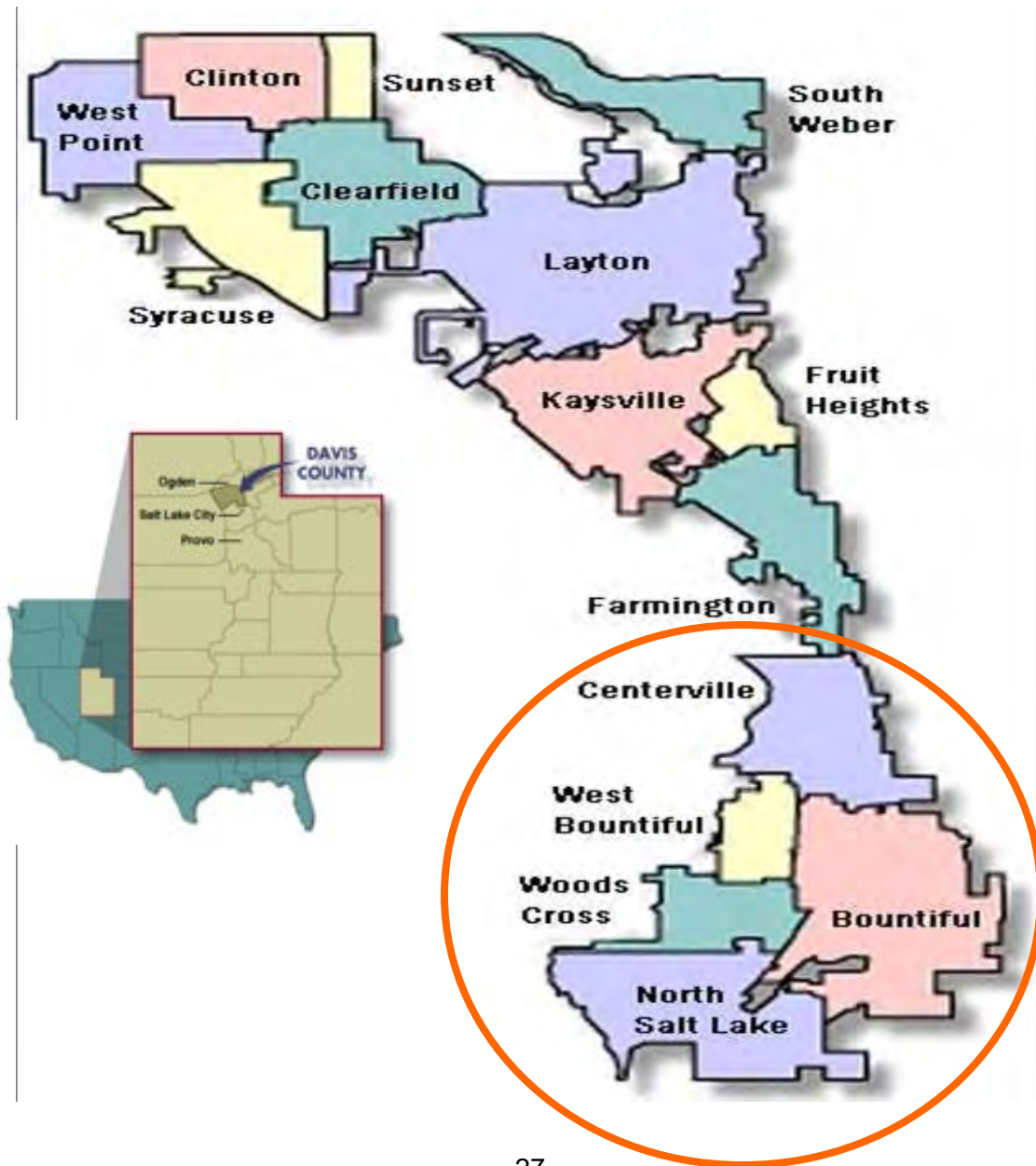
Mark R. Katter
Clerk

SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2023

Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2023)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,884	5.99	May 5, 1915
West Bountiful	5,917	2.96	Dec. 31, 1948
Bountiful	50,382	13.22	Dec. 5, 1892
Woods Cross	11,410	3.76	Sep. 4, 1930
North Salt Lake	21,907	8.45	Sep. 3, 1946
Totals	106,500		

Source: City Offices, Davis County, State of Utah, U.S Census, Wasatch Front Regional Council (WFRC)



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Davis Sewer District

Report on the Basic Financial Statements

Opinion

We have audited the statements of net position of South Davis Sewer District (the District) as of and for the year ended December 31, 2023 and 2022, and the statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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, 2023 and 2022, and the changes in its financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset), schedules of District contributions, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required 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 inquires of management regarding 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenses, budgetary and actual and the schedule of impact fees and certification are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenses, budgetary and actual and the schedule of impact fees and certification are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, other information, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 28, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
June 28, 2024

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Years Ended December 31, 2023, and 2022
(unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the fiscal years ended December 31, 2023 and 2022. 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. See page.1-22, in the Introductory Section, the Basic Financial Statements (page. 43-46) and Notes to the Financial Statements (page. 47-67,) and the other information which is presented in the Financial Section and Statistical Section of this *Annual Comprehensive Financial Report (ACFR)*.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows resources at the close of the fiscal year 2023, therefore the 2023 net position is \$105,692,304 a 7.5% increase from 2022. In 2022 and 2021 the District's net position was \$98,316,452 and \$94,061,962, respectively. Net investment in capital assets is 88.2% of the District's total net position.
- Six debt service payments were made throughout the year. Series 2017A taxable revenue bond, Series 2019 revenue bond and Series 2021 revenue bond, were \$1,636,402, \$788,560, and \$613,390, respectively, totaling \$3,038,352.
- 2023 impact fee revenue was \$177,018, a 50.0% decrease from 2022. Impact fee revenue in 2022 was \$353,562. The 2023 impact fee revenue was primarily the result of the following major construction developments: Village Station Eaglewood, Summerhill Lane, and Renaissance Towne. Impact Fee revenue in 2021 was \$778,076.
- Investment earnings in 2023 were \$760,032, a 172.3% increase from 2022. Interest income in 2022 was \$279,130 and in 2021 \$41,997, respectively.
- Operating revenues for 2023, 2022, and 2021 were \$12,468,819, 10,817,735 and \$9,542,380 respectively, a 15.3% increase). 2023 operating expenses (net of depreciation) increased by 26.4%, or \$2,227,090 from 2022. Operating expenses (net of depreciation) in 2021 were \$7,255,661.
- The District received an American Rescue Plan Act grant (ARPA) for \$1,000,000. This federal grant was used exclusively for the planning and engineering of the North Plant construction and rehabilitation.

Overview of the Financial Statements

This analytical review and communication are 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. This report also includes information intended to furnish additional detail to support the basic financial statements themselves.

The scope of the District's financial statements is the entire entity. The basis of accounting is accrual, and the measurement focus is all economic resources. All revenues and expenses are recorded, regardless of when the cash transactions occur.

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 of fund (business type) used by governments to report an activity for which a fee is charged to users for goods or services provided. The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner like a private sector business. The District's accounting cycle is the calendar year.

The **Statements of Net Position** presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of the financial condition of the District.

The information in the **Statements of Revenues, Expenses, and Changes in Net Position** presents how the District's net position 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 timing of related cash flows.

The **Statements 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 necessary to understand 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 supplementary information about the District. **The Required Supplementary Information (infrastructure assets and pensions)** can be found in the Financial Section of the report.

Other information can be found in the **Other Information Section** of this report.

The **Statistical Section** provides statistical data on financial trends, revenue and debt capacity, demographic data, 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, the net position at the end of fiscal year 2023 was \$105,962,304 (7.5% increase from 2022).

The largest portion of the District's net position (88.2% in 2023) reflects its investment in capital assets less any related debt used to acquire those assets. 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 2023 in the amount of \$36,415,526 in the form of three revenue bonds to finance the District's renewal energy project (WRR), treatment plant rehabilitation, and the advance biological nutrient removal system (ABNR) project.

In comparing 2023 with 2022, the following items should be noted:

In 2023 the District's operating revenues were \$12,468,819, an increase from \$10,817,735 (2022) by 15.3%. 2023 operating expenses were \$10,678,571 (net of depreciation) a 26.4% increase from 2022 (\$8,457,481). See page. 29, 30 in the MD&A section, page. 35-37 in the Financial Statements, and in the Statistical Section page. 75-80 and page.103,104.

Key factors driving the preceding results include:

The sewer service revenue for 2023 was \$10,102,357, an increase of 1.0% compared to fiscal year 2022 (\$9,999,186). This increase came from new construction of homes and businesses within the District.

2023 and 2022 property tax revenue were \$4,620,695 and \$4,838,069 respectfully, a decrease of 4.5%. Davis County has a tax collection rate of 95.6%.

Capital contributions were \$1,407,967 and \$2,093,844 for 2023 and 2022, respectively. Capital Contributions primarily comes from deeded sewer lines to the District from developers and contractors.

Impact fee revenue is a result of new building construction and development. Impact fee revenue was \$177,018 and \$353,562 for 2023 and 2022, respectively.

With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No.34* depreciation expense for 2023 and 2022 were \$278,459 and \$292,788, respectively. The District assets are

lasting longer because of the execution of effective maintenance facilitating this longevity. The Modified Approach is discussed in greater detail in the Required Supplemental Information section of this report. In 2023 personnel services (salaries and benefit expenses increased 51.1% from 2022. This is a result of a tight labor market, health care increases, and the increase in the cost of living (COLA) and impact of changes to pension-related accounts.

The District had a net pension liability totaling \$699,890 for 2023. The net pension asset for 2022 was \$3,055,089.

In comparing 2022 with 2021, the following items should be noted:

In 2022 the District's operating revenues were \$10,817,735, an increase from \$9,542,380 (2021) by 13%. 2022 operating expenses were \$8,451,481 (net depreciation) a 16% increase from 2021 (\$7,255,661).

Key factors driving the preceding results include:

Sewer service revenue for 2022 was \$9,999,186 an increase of 24% compared to fiscal year 2021 (\$8,093,281). This increase came from continued growth in the new construction of homes and businesses within the District and a rate increase from \$15.50 per EDU per month to \$18.00 per EDU per month effective January 2022. The purpose of this rate increase was to cover inflationary costs and debt service.

2022 and 2021 property tax revenue were \$4,838,069 and \$3,448,081 respectfully, an increase of 40%. Davis County has a collection rate of 98.5%, the increase in property taxes was due to a property tax rate increase.

Capital contributions were \$2,093,844 and \$318,187 and for 2022 and 2021 respectively. Capital contributions to capital revenue primarily comes from deeded sewer lines to the District from developers and contractors. 2021 contributions were down as result of a COVID creating supplies and labor issues for the construction industry.

Impact fee revenue is a result of new building construction and development. Impact fee revenue was \$353,562 and \$1,092,233, for 2022 and 2021 respectively.

With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No.34* depreciation expense for 2022 and 2021 were \$292,787 and \$467,448 respectively. Depreciation decreased in 2022 due to asset disposals and longevity. The District assets are lasting longer because of the execution of effective maintenance facilitating this longevity. The Modified Approach is discussed in greater detail in the red Supplementary Information section of this report.

In 2022 personnel services (salaries and benefit expenses) decreased 3% from 2021. This is a result of a tight labor market, health care increases, and the increase in the cost of living (COLA).

The District had a net pension liability totaling \$0 and \$110,823 in 2022 and 2021, respectively.

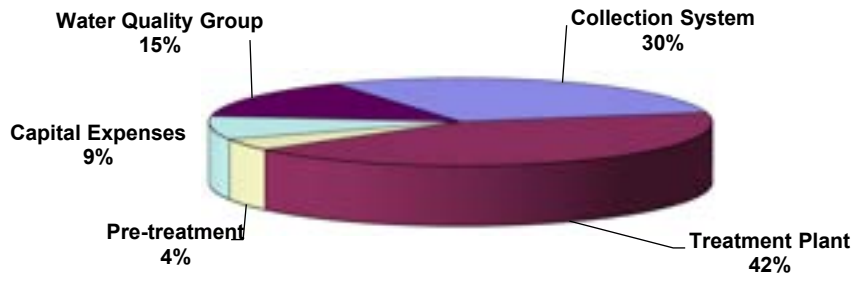
**South Davis Sewer District
Condensed Statements of Net Position
2023-2022**

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Current and Other Assets	\$ 19,584,555	\$ 22,795,190	\$ (3,210,635)	-14%
Capital Assets	124,698,019	118,938,307	5,759,712	5%
Total Assets	\$ 144,282,574	\$ 141,733,497	\$ 2,549,077	2%
Deferred Outflows of Resources	1,240,960	913,405	327,555	36%
Total Assets & Deferred Outflows of Resources	\$ 142,646,902	\$ 142,646,902	\$ -	0%
Current Liabilities	\$ 3,722,425	\$ 3,811,384	\$ (88,959)	-2%
Non-Current Liabilities	35,854,140	37,093,368	(1,239,228)	-3%
Total Liabilities	\$ 39,576,565	\$ 40,904,752	\$ (1,328,187)	-3%
Deferred Inflows of Resources	254,665	3,425,698	\$ (3,171,033)	-93%
Total Liabilities & Deferred Inflows of Resources	\$ 39,831,230	\$ 44,330,450	\$ (4,499,220)	-10%
Net Position:				
Net Investment in Capital Assets	\$ 93,270,182	\$ 88,632,423	\$ 4,637,759	5%
Restricted - Net Pension Asset	-	3,035,089	\$ (3,035,089)	-100%
Unrestricted	12,422,122	6,648,940	5,773,182	87%
Total Net Position	\$ 105,692,304	\$ 98,316,452	\$ 7,375,852	8%
Total Liabilities, Deferred Inflow of Resources & Net Position	\$ 145,523,534	\$ 142,646,902	\$ 2,876,632	2%

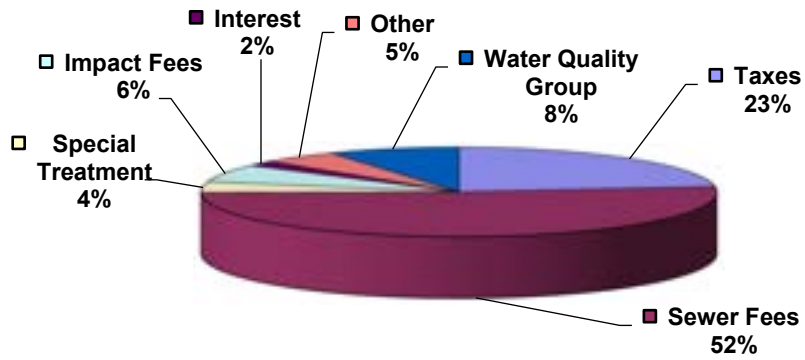
**South Davis Sewer District
Condensed Statements of Net Position
2022-2021**

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Percent Change
Current and Other Assets	\$ 22,795,190	\$ 25,454,172	\$ (2,658,982)	-10%
Capital Assets	118,938,307	110,882,996	8,055,311	7%
Total Assets	\$ 141,733,497	\$ 136,337,168	\$ 5,396,329	4%
Deferred Outflows of Resources	\$ 913,405	\$ 745,609	\$ 167,796	23%
Total Assets & Deferred Outflows of Resources	\$ 142,646,902	\$ 137,082,777	\$ 5,564,125	4%
Current Liabilities	\$ 3,811,384	\$ 2,594,642	\$ 1,216,742	47%
Non-Current Liabilities	37,093,368	38,982,100	(1,888,732)	-5%
Total Liabilities	\$ 40,904,752	\$ 41,576,742	\$ (671,990)	-2%
Deferred Inflows of Resources	3,425,698	1,444,073	\$ 1,981,625	137%
Total Liabilities & Deferred Inflows of Resources	\$ 44,330,450	\$ 43,020,815	\$ 1,309,635	3%
Net Position:				
Net Investment in Capital Assets	\$ 88,632,423	\$ 76,143,162	\$ 12,489,261	16%
Restricted - Net Pension Asset	3,035,089	10,068,063	(7,032,974)	-70%
Restricted - Debt Service	-	2,029,815	(2,029,815)	0%
Unrestricted	6,648,940	5,820,922	828,018	14%
Total Net Position	\$ 98,316,452	\$ 94,061,962	\$ 4,254,490	5%
Total Liabilities, Deferred Inflow of Resources & Net Position	\$ 142,646,902	\$ 137,028,777	\$ 5,618,125	4%

Expenses by Department 2023



Revenue by Source 2023



**South Davis Sewer District
Revenues, Expenses, and Changes in Net Position
2023 - 2022**

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 10,102,357	\$ 9,999,186	\$ 103,171	1%
Special Treatment Fees	758,029	658,907	99,122	15%
Inspection & Project Fees	26,096	63,660	(37,564)	-59%
Other	1,582,337	95,982	1,486,355	1549%
Total Operating Revenues	\$ 12,468,819	\$ 10,817,735	\$ 1,651,084	15%
Operating Expenses:				
Operating Expenses	5,407,171	4,962,535	\$ 444,636	9%
Salaries & Benefits	5,271,400	3,488,946	1,782,454	51%
Depreciation	278,459	292,788	(14,329)	-5%
Total Operating Expenses	\$ 10,957,030	\$ 8,744,269	\$ 2,212,761	25%
Non-Operating Revenues (Expenses)	4,456,096	87,180	2,654,481	5011%
Increase in Net Position Before Capital Contributions	\$ 5,967,885	\$ 2,160,646	\$ 2,092,804	176%
Capital Contributions	1,407,967	2,093,844	(685,877)	-33%
Increase in Net Position	\$ 7,375,852	\$ 4,254,490	\$ 3,121,362	73%
Net Position at Beginning of Year	\$ 98,316,452	\$ 94,061,962	\$ 4,254,490	5%
Net Position at End of Year	\$ 105,692,304	\$ 98,316,452	\$ 7,375,852	8%

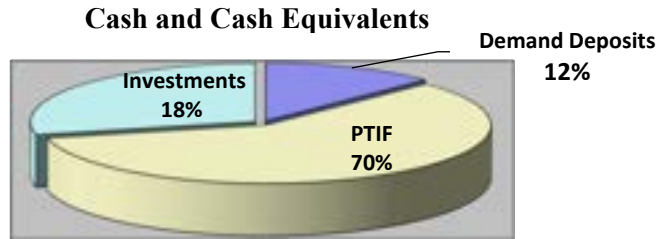
**South Davis Sewer District
Revenues, Expenses, and Changes in Net Position
2022 - 2021**

	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 9,999,186	\$ 8,093,281	\$ 1,905,905	24%
Special Treatment Fees	658,907	652,034	6,873	1%
Inspection & Project Fees	63,660	85,118	(21,458)	-25%
Other	95,982	711,947	(615,965)	-87%
Total Operating Revenues	\$ 10,817,735	\$ 9,542,380	\$ 1,275,355	13%
Operating Expenses:				
Operating Expenses	\$ 4,962,536	\$ 3,670,645	\$ 1,291,891	35%
Salaries & Benefits	3,488,946	3,585,016	(96,070)	-3%
Depreciation	292,788	467,448	(174,660)	-37%
Total Operating Expenses	\$ 8,744,270	\$ 7,723,109	\$ 1,021,161	13%
Non-Operating Revenue (Expense)	\$ 87,180	\$ 2,654,481	\$ (2,567,301)	-97%
Increase in Net Position Before Capital Contributions	\$ 2,160,646	\$ 4,473,752	\$ (2,313,106)	-52%
Capital Contributions	2,093,844	318,187	1,775,657	558%
Increase in Net Position	\$ 4,254,490	4,791,939	(537,449)	-11%
Net Position at Beginning of Year	\$ 94,061,962	\$ 89,270,023	\$ 4,791,939	5%
Net Position at End of Year	\$ 98,316,452	\$ 94,061,962	\$ 4,254,490	5%

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle, during the year they 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 2023 and 2022 were 5.1% and 1.7% respectively. A ten-year history of the PTIF interest rates is found in the Statistical Section p.95.

\$1,550,000 is invested with Moreton Asset Management which has a net earnings rate is 4.7% as of December 31, 2023. These funds are considered "sustainable funds." The fair value as of December 31, 2023, is \$1,953,385. The District has five demand deposit accounts all of which earn interest.



Interest earnings from cash and cash equivalents in 2023 and 2022 was \$760,032 and \$279,130 respectively, a 172.3% increase. This increase was the result of increases in the Federal Reserve interest rate. See page. 84,102 in the Statistical Section for more information.

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, energy recovery facility and equipment.

The District had \$124,698,019 and \$118,938,307 as of 2023 and 2022 respectively (net of depreciation) in capital assets. Most of this increase was the South Plant construction and rehabilitation projects. This represents a net increase of 5% as shown in the tables below:

**Capital Assets
Condensed
2023-2022 and 2022-2021**

	2023	2022	Change	Change
Land	\$ 3,070,568	\$ 3,070,568		0%
Infrastructure	95,016,017	93,959,242	\$ 1,056,775	1%
Equipment	9,554,549	9,505,562	48,987	1%
Construction in Progress	17,056,885	12,402,936	4,653,950	38%
Total	\$ 124,698,019	\$ 118,938,307	\$ 5,759,712	5%

	2022	2021	Change	Change
Land	\$ 3,070,568	\$ 3,070,568		0%
Infrastructure	93,959,242	91,865,398	\$ 2,093,844	2%
Equipment	9,505,562	8,974,912	530,650	6%
Construction in Progress	12,402,936	6,972,119	5,430,817	78%
Total	\$ 118,938,307	\$ 110,882,997	\$ 8,055,311	7%

The major capital asset events for fiscal year 2023 included the following:

- Construction costs for South Treatment Plant rehabilitation are \$2,489,935
- Construction costs for North Treatment Plant rehabilitation are \$1,690,965.
- Contribution of sewer lines from developers valued at \$1,407,967.
- Purchased Jet Washer Mack Truck \$121,857
- Purchased Baler WRR for \$19,922.
- Purchased Belt Press for \$130,000.
- Purchased 2023 Ford F350 Truck for \$78,056
- Purchased 2024 Ford F450 Truck for \$81,779
- Purchased 2023 Ford F350 Truck for \$81,314
- Purchased 2023 Ford F350 Truck for \$79,377
- Disposed 2019 Ford F450 Expedition \$37,300
- Disposed 2021 Ford F450 Truck for \$67,949
- Disposed 2021 Ford F350 Truck for \$62,741
- Disposed 2021 Ford F350 Truck for \$63,398

The District spent \$868,000 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2023. 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.

Additional information on the District's capital assets can be found in the Required Supplemental Information section (page. 66-71), the Statistical Section page. 105-109 and the Notes to the Financial Statements, page.47-65

Debt Administration and Long-Term Liabilities

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 outstanding bonds payable (net book value) amount is \$17,565,967 as of the end of FY2023. The closing date for the bonds was May 17, 2017, and the maturity date December 1, 2037. The average coupon rate is 4.2%. Bonds maturing on and after December 1, 2027, are callable at par on December 1, 2026. Debt service costs were \$1,638,513.

On December 3, 2019, the District issued revenue bonds, Series 2019 in the amount of \$12,179,000. These bonds will mature December 21, 2039, and have an average coupon rate of 2.2%. The purpose of the Series 2019 bonds is to fund treatment plant rehabilitation and ABNR projects that are required by the State of Utah, Division of Water Quality (DWQ) and the Environmental Protection Agency (EPA) to meet new wastewater standards.

On December 21, 2021, the District issued combined utility revenue bonds, Series 2021, in the amount of \$10,000,000 to fund additional treatment plant rehabilitation and the ABNR project. These bonds mature in 20 years (2041). The average coupon rate is 2.1%

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., Dominion Energy or Rocky Mountain Power more than a normal sewer project. S&P indicated that the "A" rating is what Dominion Energy or Rocky Mountain Power would have received. The District's credit rating has not changed.

**Outstanding Non-Current Debt and Non-Current Liabilities
Condensed
2023-2022 and 2022-2021**

	Fiscal Year 2023		Fiscal Year 2022		Change	Percent Change
Revenue Bonds Payable	\$ 34,496,526	\$	\$ 36,384,967	\$	(1,888,441)	-5%

	Fiscal Year 2022		Fiscal Year 2021		Change	Percent Change
Revenue Bonds Payable	\$ 36,384,967	\$	\$ 38,222,320	\$	(1,837,353)	-5%

Modified Approach to Accounting for Infrastructure

Starting January 1, 2004, the District elected to use the Modified Approach instead of the Depreciation Approach to manage capital assets and correct any deficiencies of its qualifying networks or subsystems of infrastructure assets (Collection system, lift stations 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 to extend the life of the asset. When possible, the District utilizes the experience and knowledge of its employees to perform most of the preservation procedures to its infrastructure assets in order to keep costs low.

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 District’s target level of service is a rating between 1 and 3.

Funds totaling \$930,000 were budgeted and funds expended were \$935,000 in 2023 to rehabilitate and correct those identified deficiencies in the collection system, treatment plants and lift station systems. Funds totaling \$981,000 have been budgeted for 2024. The District has always budgeted and expended significant funds for this purpose. The estimated budget required to maintain and preserve the current overall condition through the fiscal year ending December 31, 2030, is \$685,800 per year.

There have been no significant changes in the condition level of the collection system, treatment plants, lift stations and their related subsystems compared to the target levels, See the table on pages 66-71 except for the cogeneration system, it has a conditional level of 5 and has been taken out of service due to problems with siloxane and digester gas. The next conditional assessment sample is scheduled for 2024 for all infrastructure assets.

Additional information about the Modified Approach can be found in the Supplementary Information Section of this report (page. 66-71) and the Notes to the Financial Statements, page. 47-65.

Economic Factors, Next Year’s (2024) Budgets, and Rates

- The District continues to approach budgeting for revenues conservatively with the focus on long-term sustainability. The economy in Utah is projected to be strong, especially in the construction and development of real estate (2023 Governor Economic Report). The unemployment rate in Utah is forecasted to be 2.1% for 2024. Low unemployment is a factor in a strong economy. Currently, Utah is one of the strongest in the United States despite the challenges of COVID, inflation, employment, and supply chain issues.
- The 2024 debt service for the three 20-year revenue bonds, (series 2017A, 2019 and 2021), will be interest payments totaling \$1,121,098 and principal payments totaling \$1,919,000. Total debt service for 2024 will be \$3,040,098.
- The Utah State Tax Commission proposed certified tax rate property tax values for 2024 is \$13,697,359,347. According to the Davis County Assessor, property values are to level off in 2024. The certified tax rate revenue for 2024 is projected to be \$6,250,300. The proposed property tax rate for 2024 is .000456, a 1.0% increase (.000310) from 2023.

- Short-term interest rates were significantly trending upward since the 2nd quarter of 2021. It is projected that in 2024 interest rates will level off. The short-term interest rate for 2024 will be above 7.0%.
- \$903,000 is budgeted for repairs and maintenance of the District's infrastructure and is broken down as follows: \$540,000 for the collection system and lift stations, \$363,000 for treatment plants. It is projected that two new employees at a projected cost of \$200,000 will be needed in 2024 to operate the WRR facility. Revenue from the sale of this WRR energy is projected to be \$2,500,000 and tipping fees of \$579,000.
- It's probable a sewer service rate increase will take place in 2024. The current monthly sewer service rate is \$19.00 and could go to \$27.00 in 2024. The purpose of this rate increase is to cover additional debt service of the District's treatment plants rehabilitation and construction expenses and operation costs due to inflation.

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, Matt Myers, 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 mmyers@sdsd.us, mkatter@sdsd.us

BASIC FINANCIAL STATEMENTS



**SOUTH DAVIS SEWER DISTRICT
STATEMENTS OF NET POSITION**

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 6,911,703	\$ 4,339,529
Investments	1,918,066	1,834,385
Receivables:		
Sewer service charges	686,878	656,110
Property taxes	1,043,760	1,334,659
Special treatment charges	135,520	110,887
Leases	247,551	250,769
Other, net	65,641	54,461
Inventory and prepaid item	47,378	38,445
Total current assets	11,056,497	8,619,245
Capital Assets:		
Land, construction in progress, sewer treatment facility and collection system	115,143,470	109,432,746
Machinery and equipment, mobile equipment, and office furniture and collection system, net of accumulated depreciation	9,554,549	9,505,561
Net capital assets	124,698,019	118,938,307
Other Assets:		
Restricted cash and cash equivalents	5,737,027	8,622,233
Investment in WRR, LLC	2,770,346	2,491,555
Reimbursable costs	20,685	27,068
Net pension asset	-	3,035,089
Total other assets	8,528,058	14,175,945
Total assets	144,282,574	141,733,497
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	1,240,960	913,405

The accompanying notes are an integral part of these financial statements.

SOUTH DAVIS SEWER DISTRICT
STATEMENTS OF NET POSITION (Continued)

December 31, 2023 and 2022

	2023	2022
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable	1,919,000	1,869,000
Accounts payable	1,342,751	1,574,679
Construction retention payable	124,700	120,600
Accrued salaries and related benefits	118,456	99,587
Accrued interest	97,518	97,518
Current portion of compensated absences	120,000	50,000
Total current liabilities	<u>3,722,425</u>	<u>3,811,384</u>
Long-Term Liabilities:		
Bonds payable, net of unamortized discount, less current portion	34,496,526	36,384,967
Compensated absences, less current portion	657,724	708,401
Net pension liability	699,890	-
Total long-term liabilities	<u>35,854,140</u>	<u>37,093,368</u>
Total liabilities	39,576,565	40,904,752
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions	7,114	3,174,929
Related to leases	247,551	250,769
Total deferred inflows of resources	<u>254,665</u>	<u>3,425,698</u>
NET POSITION		
Net investment in capital assets	93,270,182	88,632,423
Restricted for net pension asset	-	3,035,089
Unrestricted	12,422,122	6,648,940
Total net position	<u>\$ 105,692,304</u>	<u>\$ 98,316,452</u>

The accompanying notes are an integral part of these financial statements.

SOUTH DAVIS SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Sewer service charges	\$ 10,102,357	\$ 9,999,186
Sewer special treatment charges	758,029	658,907
Inspection and project fees	26,096	63,660
Other operating revenues	1,582,337	95,982
Total operating revenues	12,468,819	10,817,735
Operating Expenses:		
Personnel services	5,271,400	3,488,946
Contractual services	531,473	575,766
Utilities	639,162	504,072
Repairs and maintenance	3,415,235	3,110,967
Supplies	572,843	585,972
Insurance	248,458	185,758
Depreciation	278,459	292,788
Total operating expenses	10,957,030	8,744,269
Operating Income	1,511,789	2,073,466
Nonoperating Revenues (Expenses):		
Property taxes	4,620,695	4,838,069
Federal grant revenue	1,000,000	-
Intergovernmental contributions	800,000	804,000
Impact fees	177,018	353,562
Investment earnings	760,032	279,130
Interest expense	(1,199,911)	(1,234,371)
Loss in investment in WRR, LLC	(1,581,444)	(2,337,907)
Impairment loss in WRR, LLC	-	(2,500,000)
Contributions to other governments	(232,574)	(163,918)
Gain on the sale of capital assets	112,280	48,615
Total nonoperating revenues (expenses)	4,456,096	87,180
Income Before Capital Contributions	5,967,885	2,160,646
Capital Contributions:		
Developer contributed sewer lines	1,407,967	2,093,844
Change in Net Position	7,375,852	4,254,490
Net Position at Beginning of Year	98,316,452	94,061,962
Net Position at End of Year	\$ 105,692,304	\$ 98,316,452

The accompanying notes are an integral part of these financial statements.

SOUTH DAVIS SEWER DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	\$ 12,395,630	\$ 10,706,451
Cash paid to suppliers	(5,650,206)	(3,794,363)
Cash paid to employees and for benefits	(4,987,325)	(4,624,153)
Net cash provided by operating activities	<u>1,758,099</u>	<u>2,287,935</u>
Cash Flows from Noncapital Financing Activities:		
Intergovernmental contributions collected	800,000	804,000
Grants received	1,000,000	-
Property taxes collected	4,679,020	4,370,266
Net cash provided by noncapital financing activities	<u>6,479,020</u>	<u>5,174,266</u>
Cash Flows from Capital and Related Financing Activities:		
Interest paid	(1,169,352)	(1,204,654)
Impact fees collected	177,018	353,562
Purchases of capital assets	(4,773,204)	(6,254,253)
Proceeds from sale of capital assets	255,280	48,615
Principal payments on bonds payable	(1,869,000)	(1,836,000)
Net cash used by capital and related financing activities	<u>(7,379,258)</u>	<u>(8,892,730)</u>
Cash Flows from Investing Activities:		
Proceeds from investment maturities	92,280	-
Purchase of investments	(83,769)	-
Contributions made to WRR, LLC	(1,860,235)	(4,331,337)
Interest received	680,831	236,361
Net cash used by investing activities	<u>(1,170,893)</u>	<u>(4,094,976)</u>
Net Change in Cash	<u>(313,032)</u>	<u>(5,525,505)</u>
Cash at Beginning of Year	<u>12,961,762</u>	<u>18,487,267</u>
Cash at End of Year (see Note 2)	<u>\$ 12,648,730</u>	<u>\$ 12,961,762</u>
A reconciliation of operating income to cash flows used by operating activities follows:		
Operating income	\$ 1,511,789	\$ 2,073,466
Depreciation	278,459	292,788
Changes in operating assets and liabilities:		
Receivables	(79,572)	(118,129)
Prepaid expenses	(316)	(12,974)
Inventory	(8,617)	(2,352)
Reimbursable costs	6,383	6,845
Accounts and construction retention payable	(227,828)	1,159,498
Accrued expenses	38,192	85,617
Net pension asset, liability, and related deferrals	239,609	(1,196,824)
Net cash provided by operating activities	<u>\$ 1,758,099</u>	<u>\$ 2,287,935</u>
Noncash financing, capital, or investing activities:		
Loss in investment in WRR, LLC	\$ (1,581,444)	\$ (2,337,907)
Impairment loss in WRR, LLC	-	(2,500,000)
Developer contributed sewer lines	1,407,967	2,093,844
Change in fair value of investments	92,192	5,568
Recording of lease receivable	-	(253,614)
Recording of deferred inflows of resources related to leases	-	253,614
Pass-through property taxes contributed to other governments	232,574	163,918

The accompanying notes are an integral part of these financial statements.

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of South Davis Sewer District (the District) are in compliance with generally accepted accounting principles applicable to local governmental units. The following is a summary of the more significant policies.

The Reporting Entity

South Davis Sewer District is organized as a special service district in Davis County. The District's purpose is to provide sewage treatment and disposal services and facilities for participating cities and customers.

The District accounts for its operations as an enterprise (proprietary-type) fund; activities are financed and operated in a manner similar to private business enterprises where the intent of the Board is that the costs (expenses, including depreciation) of providing goods or services to members and the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus and Basis of Accounting

The financial statements are maintained on the accrual basis of accounting, under which revenues are recognized in the period in which they are earned and become measurable, and expenses are recorded in the period incurred if measurable.

The District distinguishes operating revenues and expenses from nonoperating items by whether or not transactions are related to the District's daily operations of its wastewater treatment and disposal services and facilities.

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

Budgetary Basis

The basis of budgeting is the same as the basis required by accounting principles generally accepted in the United States of America (GAAP) except for the following: 1) bond principal payments, 2) depreciation, and 3) capital expenditures are budgeted as nonoperating expenditures. The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The budgetary report is reconciled to the basic financial statements (GAAP basis) as noted in the other supplementary information.

Cash and Cash Equivalents

For cash flow reporting, cash and cash equivalents include amounts in demand deposits, investments in the Utah Public Treasurers' Investment Fund, as well as short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable from customers primarily represent assessments to member cities. An allowance for doubtful accounts has been established of \$0 at December 31, 2023.

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Leases

The District is a lessor for noncancelable leases of cell tower sites. The District recognizes a lease receivable and a deferred inflow of resources in the government wide financial statements.

At the commencement of the leases, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (a) the discount rate it uses to discount the expected lease receipts to present value, (b) least term, and (c) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessees.

The District monitors changes in the circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

Inventory and Prepaid Items

Inventory is valued at cost using the first-in/first-out method and consist of expendable supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets

The District elects to use the *Modified Approach* for infrastructure reporting for its sewer treatment facility and collection system. Infrastructure assets accounted for under the modified approach are not depreciated, and maintenance and preservation costs are expensed. Capital assets are recorded at cost. The capitalization threshold is defined to be assets with an initial or individual cost greater than \$5,000.

Donated capital assets are recorded at their estimated acquisition value at the date of donation. When constructing capital assets, interest expense incurred relating to activities is not capitalized, but expensed in the period in which the cost is incurred. Capital assets, except land and easements, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

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

Upon the sale or retirement of capital assets, the related asset's cost and accumulated depreciation are removed from the applicable accounts and a gain or loss on disposal is recorded.

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Compensated Absences

The District permits eligible employees to accumulate earned, but unused, vacation and sick leave benefits while they are working for the District. When an employee terminates or retires, the District pays 100 percent of their vacation leave. In addition to the vacation payout, the District also pays that employee 50 percent of their accrued sick leave. Accrued vacation and sick leave are recorded in long-term liabilities.

Pensions

For purposes of measuring the net pension liability (asset), 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 (URS) and additions to/deductions from the URS's fiduciary net position have been determined on the same basis as they are reported by the URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Long-Term Obligations

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of unamortized bond premiums or discounts.

Deferred Outflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position is divided into three components: net investment in capital assets (capital assets net of related debt less unspent bond proceeds and other capital related liabilities), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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. The District had impact fee reserves of \$0 at December 31, 2023 and 2022. Revenues from impact fees were \$177,018 and \$353,562 for the years ended December 31, 2023 and 2022, respectively.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments, as shown on the financial statements, is as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Carrying amount of deposits	\$ 490,514	\$ 658,285
Carrying amount of investments	<u>14,076,282</u>	<u>14,137,862</u>
Total deposits and investments	<u>\$ 14,566,796</u>	<u>\$ 14,796,147</u>
Current assets - cash and cash equivalents	\$ 6,911,703	\$ 4,339,529
Current assets - investments	1,918,066	1,834,385
Other assets - restricted cash and cash equivalents	<u>5,737,027</u>	<u>8,622,233</u>
Total deposits and investments	<u>\$ 14,566,796</u>	<u>\$ 14,796,147</u>

The District complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. The District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the state of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits

The District’s carrying amount of bank deposits at December 31, 2023 is \$490,514 and the bank balance is \$652,386 (\$250,000 of which is covered by federal depository insurance). Uninsured deposits are not collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a formal policy for custodial credit risk in regard to the custody of the District’s deposits.

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Investments

The District had a balance of \$12,158,216 held in the PTIF at December 31, 2023. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state’s name by the state’s custodial banks, primarily consisting of corporate bonds and notes. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF’s corporate bonds and notes are variable-rate securities, which reset every three months to prevailing market interest rates. The PTIF has no debt securities with more than 5% of its total investments in a single issuer. The PTIF is not rated. The reported fair value of the pool is the same as the fair value of the pool shares.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s policy for reducing its exposure to credit risk is to comply with the Act and related rules.

The District had the following investment and quality ratings as of December 31, 2023:

Investment Type	Fair Value	Quality Rating					
		Aaa	Aa3	A1	A2	A3	Unrated
Investments:							
PTIF	\$ 6,421,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,421,189
Mutual funds	200,093	200,093	-	-	-	-	-
Certificates of deposits	1,464,743	-	305,042	-	194,096	-	965,605
Corporate bonds	253,230	-	-	253,230	-	-	-
	<u>8,339,255</u>	<u>200,093</u>	<u>305,042</u>	<u>253,230</u>	<u>194,096</u>	<u>-</u>	<u>7,386,794</u>
Restricted investments:							
PTIF	<u>5,737,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,737,027</u>
Total investments	<u>\$ 14,076,282</u>	<u>\$ 200,093</u>	<u>\$ 305,042</u>	<u>\$ 253,230</u>	<u>\$ 194,096</u>	<u>\$ -</u>	<u>\$ 13,123,821</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term to maturity on all investments in commercial paper and bankers’ acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District’s investment balances by investment type and maturity are as follows at December 31, 2023:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Investments:					
PTIF	\$ 6,421,189	\$ 6,421,189	\$ -	\$ -	\$ -
Mutual funds	200,093	200,093	-	-	-
Certificates of deposits	1,464,743	300,846	1,163,897	-	-
Corporate bonds	253,230	253,230	-	-	-
	<u>8,339,255</u>	<u>7,175,358</u>	<u>1,163,897</u>	<u>-</u>	<u>-</u>
Restricted investments:					
PTIF	<u>5,737,027</u>	<u>5,737,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 14,076,282</u>	<u>\$ 12,912,385</u>	<u>\$ 1,163,897</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District’s total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk – For an investment, custodial credit risk 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’s investment policy is to follow the Utah Money Management Act and to invest mainly in the PTIF. The District’s investment policy does not limit the amount that can be held by counterparties.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2023:

Utah Public Treasurers’ Investment Fund is valued at the District’s position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

Mutual funds are valued at the daily closing price as reported by the fund (Level 1 inputs).

Certificates of deposit are valued at the original amount deposited at the financial institution plus the interest earned on the certificate through the end of the fiscal year (Level 2 inputs).

Corporate bonds are valued using a matrix pricing model (Level 2 inputs).

SOUTH DAVIS SEWER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROPERTY TAXES

District Property Tax Revenue

The property tax revenue of the District is collected and distributed by the Davis County treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

An annual uniform fee based on the value of motor vehicles is levied in lieu of an ad valorem tax on motor vehicles. This uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. Legislation requires motor vehicles be subject to an “age-based” fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of December 31, 2023, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2022 or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

In addition to property taxes the District levies for its own purposes, the District levies property taxes for community development agencies (located within their boundaries). During the years ended December 31, 2023 and 2022, taxes levied by the District for community development agencies were recorded as revenue with an equivalent amount of expenses in the amount of \$232,574 and \$163,918, respectively.

NOTE 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 that would be jointly owned by the District and ALPRO. The District and ALPRO each own a 50 percent investment 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, 2023 and 2022, the District’s investment in WRR of \$2,770,346 and \$2,491,555, respectively, represents amounts contributed to WRR less the District’s equity in the accumulated earnings (losses) as of December 31, 2023 and 2022 and any adjustments for impairment.

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The Company evaluates the recoverability of the investment in the joint venture whenever events or changes in circumstances indicate that the investment’s carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of operating losses in the joint venture. Due to the uncertainty of the District to recover the full value of the investment, management has estimated and recognized an impairment loss of \$2,500,000 during the year ended December 31, 2022. Management’s estimate is based on assumptions that require significant judgment and actual results may differ from estimated amounts.

Summary financial information for WRR is as follows:

WRR, LLC
Summary Financial Information
As of and for the Years Ended December 31, 2023 and 2022

	2023	2022
Cash	\$ 119,415	\$ 282,099
Accounts receivable	273,955	730,407
Capital assets	13,500	13,500
Total assets	406,870	1,026,006
Accounts payable	444,261	321,044
Net position	\$ (37,391)	\$ 704,962
Operating revenues	\$ 3,395,002	\$ 3,412,522
Operating expenses	(6,557,891)	(8,088,337)
Net loss	\$ (3,162,889)	\$ (4,675,815)

NOTE 6 – LEASE RECEIVABLE

The District leases a site to a third party for cell tower operations under lease terms of 26 years. The District will receive monthly payments of \$1,061 escalating by 2 percent a year. For the years ended December 31, 2023 and 2022, the District recognized lease revenue of \$2,958 and \$2,845 and interest revenue of \$10,031 and \$10,145, respectively. At December 31, 2023 and 2022, the District reports a lease receivable and an equal deferred inflow of resources related to leases of \$247,551 and \$250,769, respectively.

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 – CAPITAL ASSETS

The following changes occurred with respect to capital assets during the year ended December 31, 2023:

	Balance at Jan. 1, 2023	Additions	Deletions	Balance at Dec. 31, 2023
Capital assets not being depreciated:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	12,402,936	4,302,757	-	16,705,693
Infrastructure - (sewer treatment facility)	93,959,242	1,407,967	-	95,367,209
Total capital assets not being depreciated	109,432,746	5,710,724	-	115,143,470
Capital assets being depreciated:				
Machine and equipment	9,564,704	149,922	-	9,714,626
Mobile equipment	4,085,286	320,525	(251,557)	4,154,254
Office furniture and equipment	771,191	-	-	771,191
Total capital assets being depreciated	14,421,181	470,447	(251,557)	14,640,071
Accumulated depreciation for:				
Machine and equipment	(1,968,633)	(89,578)	-	(2,058,211)
Mobile equipment	(2,292,766)	(166,187)	108,557	(2,350,396)
Office furniture and equipment	(654,221)	(22,694)	-	(676,915)
Total accumulated depreciation	(4,915,620)	(278,459)	108,557	(5,085,522)
Net capital assets being depreciated	9,505,560	191,988	(143,000)	9,554,549
Net capital assets	\$ 118,938,306	\$ 5,902,712	\$ (143,000)	\$ 124,698,019

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The following changes occurred with respect to capital assets during the year ended December 31, 2022:

	Balance at Jan. 1, 2022	Additions	Deletions	Balance at Dec. 31, 2022
Capital assets not being depreciated:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	6,972,119	5,430,817	-	12,402,936
Infrastructure (sewer treatment facility)	91,865,398	2,093,844	-	93,959,242
Total capital assets not being depreciated	101,908,085	7,524,661	-	109,432,746
Capital assets being depreciated:				
Machine and equipment	9,457,084	140,400	(32,780)	9,564,704
Mobile equipment	3,440,272	683,036	(38,022)	4,085,286
Office furniture and equipment	771,191	-	-	771,191
Total capital assets being depreciated	13,668,547	823,436	(70,802)	14,421,181
Accumulated depreciation for:				
Machine and equipment	(1,957,561)	(43,852)	32,780	(1,968,633)
Mobile equipment	(2,109,840)	(220,948)	38,022	(2,292,766)
Office furniture and equipment	(626,233)	(27,988)	-	(654,221)
Total accumulated depreciation	(4,693,634)	(292,788)	70,802	(4,915,620)
Net capital assets being depreciated	8,974,913	530,648	-	9,505,561
Net capital assets	\$ 110,882,998	\$ 8,055,309	\$ -	\$ 118,938,307

The District's construction commitments are mostly complete as of December 31, 2023. See Note 14 for subsequent events related to construction commitments.

NOTE 8 – RETIREMENT PLANS

Description of Plans

Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plan)
- 457 Plan and other individual plans

District employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by the District as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with URS, are members of the Tier 2 systems.

The plans are established and governed by the respective sections of Title 49 of the *Utah Code*. The plans are amended statutorily by the Utah State Legislature. Title 49 provides for the administration of the plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor.

The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

Benefits Provided

The URS provides retirement, disability, and death benefits to participants in the plans.

Retirement benefits in the defined benefit pension plans are determined from 1.50% to 2.00% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Contributions

As a condition of participation in the plans, 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.

District required contribution rates for the plans were as follows for the year ended December 31, 2023:

	Defined Benefit Plans Rates			District Rates for 401(k) Plan	Totals
	District Contribution *	Amortization of UAAL **	Paid by District for Employee		
Tier 1 Noncontributory System	11.86%	6.11%	-	-	17.97 %
Tier 1 Contributory System	6.09%	7.87%	6.00%	-	19.96 %
Tier 2 Public Employees System	9.90%	6.11%	0.18%	-	16.19 %
Tier 2 Defined Contribution System	0.08%	6.11%	-	10.00%	16.19 %

* District contribution includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

** Required contributions include an additional amount to finance any unfunded actuarial accrued liability in the Tier 1 plans.

Employees can make additional contributions to defined contribution plans subject to limitations.

District and employee contributions to the plans were as follows for the year ended December 31, 2023:

	District Contributions *	Employee Contributions
Tier 1 Noncontributory System	\$ 385,119	\$ -
Tier 1 Contributory System	56,095	24,110
Tier 2 Public Employees System	184,727	-
Tier 2 Defined Contribution System	8,337	-
401(k) Plan	18,759	164,589
457 Plan and other individual plans	-	97,011

* A portion of required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability in the Tier 1 plans.

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

At December 31, 2023, the District reported a net pension asset of \$0 and a net pension liability of \$699,890 for the following plans:

	Net Pension Asset	Net Pension Liability
	<u> </u>	<u> </u>
Tier 1 Noncontributory System	\$ -	\$ 373,426
Tier 1 Contributory System	-	277,183
Tier 2 Public Employees System	-	49,281
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 699,890</u>

The net pension liability (asset) was measured as of December 31, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2022, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2022 and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	<u>2022</u>	<u>Change</u>
Tier 1 Noncontributory System	0.2180273 %	0.0051075 %
Tier 1 Contributory System	2.6950887 %	0.2156397 %
Tier 2 Public Employees System	0.0452581 %	(0.0036388)%

The District recognized pension expense for the plans as follows at December 31, 2023:

	Pension Expense
	<u> </u>
Defined benefit pension plans:	
Tier 1 Noncontributory System	\$ 205,930
Tier 1 Contributory System	572,965
Tier 2 Public Employees System	94,893
	<u> </u>
Total	<u>\$ 873,788</u>
Defined contribution plans:	
Tier 2 Defined Contribution Plan	\$ 8,337
401(k) Plan	18,759
	<u> </u>
Total	<u>\$ 27,096</u>

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District reported deferred outflows of resources related to defined benefit pension plans from the following sources at December 31, 2023:

	Deferred Outflows of Resources Related to Pensions			Total
	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	
Differences between expected and actual experience	\$ 126,661	\$ -	\$ 16,645	\$ 143,306
Changes of assumptions	61,200	-	15,999	77,199
Net difference between projected and actual earnings on pension plan investments	246,315	82,634	19,869	348,818
Changes in proportion and differences between District contributions and proportionate share of contributions	23,302	-	14,054	37,356
Contributions subsequent to the measurement date	385,119	56,095	193,065	634,279
Total	\$ 842,597	\$ 138,729	\$ 259,632	\$ 1,240,958

The District reported deferred inflows of resources related to defined benefit pension plans from the following sources at December 31, 2023:

	Deferred Inflows of Resources Related to Pensions			Total
	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	
Differences between expected and actual experience	\$ -	\$ -	\$ 1,955	\$ 1,955
Changes of assumptions	1,491	-	125	1,616
Net difference between projected and actual earnings on pension plan investments	-	-	3,543	3,543
Total	\$ 1,491	\$ -	\$ 5,623	\$ 7,114

The \$634,279 reported as deferred outflows of resources related to pensions resulting from our contributions subsequent to the measurement date of December 31, 2023 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2024. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending December 31,	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	Total
2024	\$ (35,427)	\$ (234,584)	\$ 3,245	\$ (266,766)
2025	14,211	(70,091)	6,375	(49,504)
2026	98,935	63,550	9,884	172,369
2027	378,267	323,759	18,386	720,412
2028	-	-	4,796	4,796
Thereafter	-	-	18,258	18,258

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Actuarial Assumptions

The total pension liability (asset) in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 9.25%, average, including inflation
Investment rate of return	6.85%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021. Assumptions remained unchanged that affect measurement of the total pension liability (asset) since the prior measurement date.

The long-term expected rate of return on defined benefit 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity securities	35%	2.30%
Debt securities	20%	0.22%
Real assets	18%	1.03%
Private equity	12%	1.18%
Absolute return	15%	0.44%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.85%. 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, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' 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 (asset).

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what its proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 2,353,456	\$ 373,426	\$ (1,280,993)
Tier 1 Contributory System	1,421,996	277,183	(694,436)
Tier 2 Public Employees System	215,332	49,281	(78,640)
Total	<u>\$ 3,990,784</u>	<u>\$ 699,890</u>	<u>\$ (2,054,069)</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plans

The District reported payables of \$12,256 and \$11,913 for contributions to defined benefit pension plans and defined contribution plans at December 31, 2023 and 2022, respectively.

NOTE 9 – LONG-TERM LIABILITIES

Long-term liabilities were as follows for the year ended December 31, 2023:

	Balance at Jan. 1, 2023	Additions	Deletions	Balance at Dec. 31, 2023	Due Within One Year
Revenue bonds	\$ 17,845,000	\$ -	\$ (900,000)	\$ 16,945,000	\$ 930,000
Revenue bonds (direct placement)	20,688,000	-	(969,000)	19,719,000	989,000
Unamortized discounts	(279,033)	-	30,559	(248,474)	-
Compensated absences	758,401	308,979	(289,656)	777,724	120,000
Net pension liability	-	1,334,070	(634,180)	699,890	-
Total bonds payable, net	<u>\$ 39,012,368</u>	<u>\$ 1,643,049</u>	<u>\$ (2,762,277)</u>	<u>\$ 37,893,140</u>	<u>\$ 2,039,000</u>

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Long-term liabilities were as follows for the year ended December 31, 2022:

	Balance at Jan. 1, 2022	Additions	Deletions	Balance at Dec. 31, 2022	Due Within One Year
Revenue bonds	\$ 18,720,000	\$ -	\$ (875,000)	\$ 17,845,000	\$ 900,000
Revenue bonds (direct placement)	21,649,000		(961,000)	20,688,000	969,000
Unamortized discounts	(310,680)	-	31,647	(279,033)	-
Compensated absences	683,957	407,312	(332,868)	758,401	50,000
Net pension liability	110,823	468,406	(579,229)	-	-
Total bonds payable, net	<u>\$ 40,853,100</u>	<u>\$ 875,718</u>	<u>\$ (2,716,450)</u>	<u>\$ 39,012,368</u>	<u>\$ 1,919,000</u>

A summary of principal debt requirements to maturity for the revenue bonds (competitive and direct placements) for the years following December 31, 2023 are as follows:

Year Ending December 31,	Outstanding Bonds		Outstanding Bonds (Direct Placement)		Total
	Principal	Interest	Principal	Interest	
2024	\$ 930,000	\$ 708,013	\$ 989,000	\$ 413,086	\$ 3,040,098
2025	960,000	676,625	1,010,000	392,811	3,039,436
2026	995,000	643,025	1,030,000	372,106	3,040,131
2027	1,030,000	606,956	1,052,000	350,991	3,039,948
2028	1,075,000	564,469	1,073,000	329,425	3,041,894
2029-2033	6,075,000	2,119,444	5,701,000	1,308,160	15,203,603
2034-2038	5,880,000	676,125	6,324,000	688,770	13,568,895
2039-2041	-	-	2,540,000	90,677	2,630,677
	<u>\$ 16,945,000</u>	<u>\$ 5,994,656</u>	<u>\$ 19,719,000</u>	<u>\$ 3,946,027</u>	<u>\$ 46,604,683</u>

**SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Revenue bonds payable with their outstanding balance are comprised of the following individual issues at December 31, 2023:

<u>Series</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Rate Range</u>	<u>Final Maturity Date</u>	<u>Outstanding Balance</u>
2017A	Investment in WRR	\$ 21,195,000	3.38% - 4.50%	December 1, 2037	\$ 16,945,000
2019 (Direct placement)	North and South Plant Rehab	12,179,000	2.05% - 2.29%	December 1, 2039	10,556,000
2021 (Direct placement)	North and South Plant Rehab	10,000,000	2.05%	December 1, 2041	9,163,000
					<u>\$ 36,664,000</u>

NOTE 10 – CONDUIT DEBT

The District has issued revenue bonds to provide financial assistance to private-sector entity for acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private -sector entity served by the bond issuance. The District is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The District has made a limited commitment to maintain the issue’s tax-exempt status for the series of conduit debt.

At December 31, 2023 and 2022, the principal amount payable for the one series was \$21,845,000 and \$22,905,000, respectively.

NOTE 11 – ECONOMIC DEPENDENCY

The District has contracted with its participating cities, exclusively, to receive, treat, and dispose of the participating cities’ municipal wastewater. In the event that participating cities, for economic or environmental reasons, were unable to continue using the District’s facilities, the District would be susceptible to risk of closure.

NOTE 12 – RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$3,000,000 per occurrence through policies administered by the Utah Local Governments Trust. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah Local Governments Trust. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District’s insurance coverage for any of the past three years.

The District also maintains a public treasurer’s fidelity bond with a private carrier. All District employees are covered for workers’ compensation by the Utah Local Governments Trust. Unemployment insurance is covered by the District on a pay-as-you-go basis. Claims have been minimal for the past three years.

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – ENVIRONMENTAL REMEDIATION LIABILITY

The nature of the District's operations is such that the District may be held liable for environmental clean-up costs. The District is unaware of any such issues and has taken extensive measures to prevent potential environmental problems caused by its activities. The costs of potential remediation are not estimable since no knowledge of environmental problems currently exists. Therefore, no liability has been accrued.

NOTE 14 – SUBSEQUENT EVENTS

The District has entered into a construction contract for upgrades at the north plant. The contract was approved June 3, 2024 and was for a total of \$87,000,000.

REQUIRED SUPPLEMENTARY INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2023

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, treatment plant facilities and the resource recovery facility 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 capital assets. 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, systems and sub-systems (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, treatment plant facilities and the resource recovery facility 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 2023 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 miles (1,988,199 feet) of sewer lines, 9,268 sections of line, 9,039 manholes, 11 lift stations, 2 treatment plants that can treat up to 16 million gallons (capacity) per day (MGD) of wastewater and one resource recovery facility.

In 2023, approximately 15.0% of the District's collection system was cleaned and 17.0% was inspected by closed circuit television (CCTV) in 2023 (see Collection System GIS TV and Cleaning Maps in this section).

The District spent \$935,000 on maintenance and/or preservation of its infrastructure assets for the year ended December 31, 2023. 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 232, 330, and 309 rehabilitation projects for CIPP on sewer lateral lines and main lines in 2023, 2022 and 2021 respectfully.

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 (100.0%). 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 District has set a minimum service level of 3 (moderate/fair) for all infrastructure assets.

The following table makes known the most recent conditional assessments (GASB Statement No. 34, paragraph 132).

Condition	Treatment Facilities			Collection Line Segments			Manholes			Lift Stations		
	2023	2022	2021	2023	2022	2021	2023	2022	2019	2023	2022	2021
Very Good	641	655	783	653	548	890	1540	1212	2021	11	11	11
Good	63	46	72	24	15	24	32	25	18			
Fair	21	15	12	75	56	0	12	18	17			
Poor		2	2		27	15	8	3	12			
Very Poor								1				

In 2021, the District performed 786 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, inspection of 2030 manholes, 11 lift stations and the WRR facility. The condition assessment of the line segments identified 25 deficiencies in line segments and 24 deficiencies in manholes resulting in a condition level lower than established by the District. 100.0% of the deficiencies identified in the line segments and manholes were corrected in the year 2023. Each treatment plant had a deficiency identified in its respective cogeneration (co-gen) system. The co-gen 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 collection system, treatment plant equipment and subsystems is in clean, orderly and in workman like condition. There is no deferred maintenance. The next condition assessment sample is scheduled for 2025

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

Estimated	2019	2020	2021	2022	2023
	\$650,370	\$676,500	\$693,000	\$903,000	\$930,000
Actual	2019	2020	2021	2022	2023
	\$489,365	\$696,157	\$885,754	868,000	\$935,000

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030, is estimated to be \$685,800 per year. This figure was arrived at by taking the average expenditures from 2011 to 2022 and adding 8.0% for inflation ($\$635,000 \times 1.08 = \$685,800$).

Funds totaling \$930,000 were budgeted for fiscal year 2023 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$540,000 Collection System
\$390,000 Plant & Equipment Facilities

The amount estimated to achieve the 2023 minimal target conditional assessment is \$685,800, the actual cost was \$935,000. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

The 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. (see of Letter of Transmittal pp 1-22 and the Notes to the Financial Statements pp. 47-55 for more information)

Source: District Asset Management Records.

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
Birnam Woods Lift Station			1
North Pointe Lift Station			1
Parrish Lane 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

Asset	WRR Facility
Chopper Pumps	1
Biosolid Strain Press	1
Receiving Building	1
Digester #1	1
Digester #2	1
Hyrolysis Tank Building	1
Digester Building	1
Liquid Receiving Building	1
Electrical Gear	1
Electrical Instruments	1
Pressure Tank #1	2
Pressure Tank #2	1
FOG Tank	1
Gas Conditioning System	1
Boiler Pumps Building	1
Truck Scales	2
Bottle/Can Conveyer	1
Bottle/Can Crusher	1
Grinder	2
Hydrocyclone	1
Grit Classifier	1
FOG Waste	2
Xerxes Tank	1
Amonia Stripping	2
Boilers	2
Gas Safety Equipment	1
Dewater Press	2
Gas Conditioning System	1
GE Package	1
Conveyers	1
Poly Tanks	1
Heat Exchangers	2
Polymer Dosing System	1
Air Compressors	3



TV INSPECTIONS

2021-2023

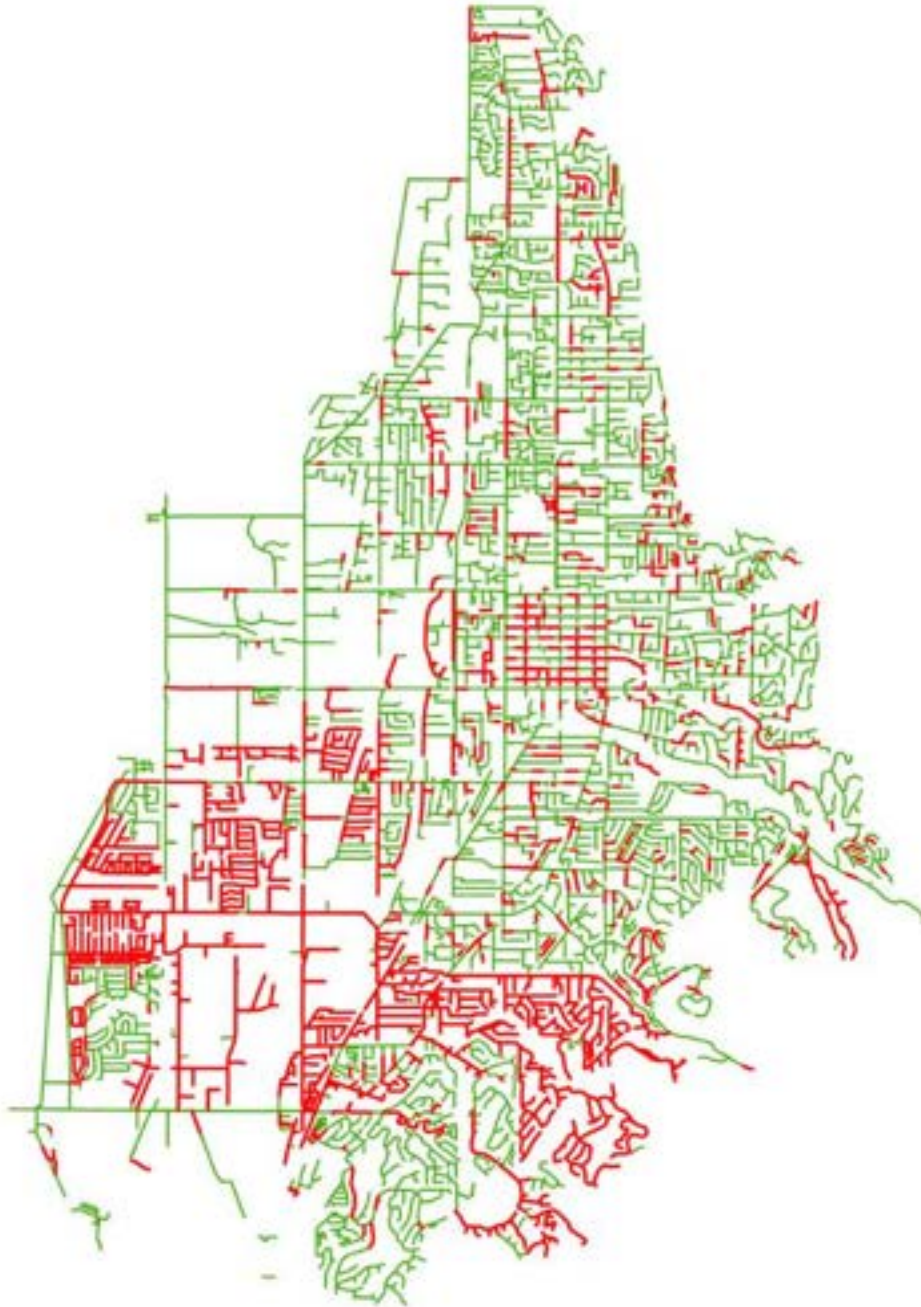


Pipe sections that were TV'ed between 2021 and 2023 are shown above in black.



CLEANING

2021-2023



Pipe sections that were cleaned between 2021 and 2023 are shown above in red.

SOUTH DAVIS SEWER DISTRICT
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Last Nine Plan Years

	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Tier 1 Noncontributory System:					
2022	0.2180273%	\$ 373,426	1,977,219	18.9 %	97.5%
2021	0.2129198%	(1,219,414)	1,806,770	(67.5)%	108.7%
2020	0.1992835%	102,221	1,612,366	6.3 %	99.2%
2019	0.1946828%	733,734	1,637,481	44.8 %	93.7%
2018	0.1854115%	1,365,319	1,627,788	83.9 %	87.0%
2017	0.1827746%	800,790	1,659,575	48.3 %	91.9%
2016	0.1859885%	1,194,274	1,703,079	70.1 %	87.3%
2015	0.1773809%	1,003,707	1,579,894	63.5 %	87.8%
2014	0.1714837%	744,623	1,504,734	49.5 %	90.2%
Tier 1 Contributory System:					
2022	2.6950887%	\$ 277,183	378,521	73.2 %	97.7%
2021	2.4794490%	(1,794,979)	364,186	(492.9)%	115.9%
2020	2.1539158%	(386,029)	355,299	(108.6)%	103.9%
2019	1.8822009%	123,353	337,278	36.6 %	105.0%
2018	1.7087889%	693,431	319,834	216.8 %	91.2%
2017	1.5504906%	126,170	314,619	40.1 %	98.2%
2016	1.2969910%	425,557	311,199	136.7 %	92.9%
2015	0.6854172%	481,749	292,048	165.0 %	85.7%
2014	0.5162013%	148,895	275,901	54.0 %	94.0%
Tier 2 Public Employees Retirement System:					
2022	0.0004526%	\$ 49,281	987,001	5.0 %	92.3%
2021	0.0488969%	(20,695)	908,362	(2.3)%	103.8%
2020	0.0598078%	8,602	956,444	0.9 %	98.3%
2019	0.0502777%	11,308	697,698	1.6 %	96.5%
2018	0.0733910%	13,165	359,127	3.7 %	90.8%
2017	0.0137612%	1,213	134,222	0.9 %	97.4%
2016	0.0105558%	1,177	86,566	1.4 %	95.1%
2015	0.0067634%	(15)	43,693	(0.0)%	100.2%
2014	0.0079996%	(242)	39,225	(0.6)%	103.5%

SOUTH DAVIS SEWER DISTRICT
Schedules of District Contributions
Utah Retirement Systems
Last Nine Reporting Years

	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Tier 1 Noncontributory System:					
2023	\$ 385,119	\$ 385,119	\$ -	\$ 2,146,877	17.94%
2022	359,342	359,342	-	1,977,219	18.17%
2021	332,906	332,906	-	1,806,770	18.43%
2020	296,972	296,972	-	1,612,366	18.42%
2019	300,655	300,655	-	1,637,481	18.36%
2018	298,868	298,868	-	1,627,788	18.36%
2017	304,458	304,458	-	1,659,575	18.35%
2016	311,783	311,783	-	1,702,246	18.32%
2015	288,938	288,938	-	1,579,894	18.29%
Tier 1 Contributory System:					
2023	\$ 56,095	\$ 56,095	\$ -	\$ 401,830	13.96%
2022	53,742	53,742	-	378,521	14.20%
2021	52,661	52,661	-	364,186	14.46%
2020	51,376	51,376	-	355,299	14.46%
2019	48,770	48,770	-	337,278	14.46%
2018	46,248	46,248	-	319,834	14.46%
2017	45,494	45,494	-	314,619	14.46%
2016	44,999	44,999	-	311,199	14.46%
2015	42,230	42,230	-	292,048	14.46%
Tier 2 Public Employees System:					
2023	\$ 184,727	\$ 184,727	\$ -	\$ 1,153,823	16.01%
2022	158,296	158,296	-	987,001	16.04%
2021	144,740	144,740	-	908,362	15.93%
2020	150,446	150,446	-	956,444	15.73%
2019	108,954	108,954	-	697,698	15.62%
2018	55,056	55,056	-	359,127	15.33%
2017	20,194	20,194	-	134,222	15.05%
2016	12,907	12,907	-	86,566	14.91%
2015	6,521	6,521	-	43,693	14.92%
Tier 2 Defined Contribution System:					
2023	\$ 8,337	\$ 8,337	\$ -	\$ 134,689	6.19%
2022	7,942	7,942	-	123,639	6.42%
2021	7,752	7,752	-	115,870	6.69%
2020	5,796	5,796	-	86,639	6.69%
2019	4,035	4,035	-	60,308	6.69%
2018	1,948	1,948	-	29,123	6.69%
2017	-	-	-	-	-
2016	-	-	-	-	-
2015	-	-	-	-	-

SOUTH DAVIS SEWER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

Assumptions for plan year 2022 remain unchanged from the prior years.

Amounts reported in plan year 2021 reflect the following assumption changes adopted from the January 1, 2021 valuation:

- The investment return assumption was decreased from 6.95% to 6.85%

Amounts reported in plan year 2020 reflect the following assumption changes adopted from the January 1, 2020 valuation:

- The payroll growth assumption decreased from 3.00% to 2.90%.
- Other assumptions that were modified: retirement rates, termination rates, disability rates, rate of salary increase, and pre and post retirement mortality tables.

Assumptions for plan years 2019 through 2018 remain unchanged from the prior years.

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017 valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%.

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016 valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- Both the payroll growth and wage inflation assumptions were decreased by 0.15%.

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- Other assumptions that were modified: rate of salary increases, post retirement mortality, and certain demographics.

SOUTH DAVIS SEWER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE B – SCHEDULES OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

NOTE C – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

These schedules only present information for the 2015 and subsequent reporting periods of the plans; prior-year information is not available.

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. A portion of the required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability of the Tier 1 plans.

SUPPLEMENTARY INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses, Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 10,500,000	\$ 10,500,000	\$ 10,102,357	\$ (397,643)
Sewer Special Treatment	600,000	600,000	758,029	158,029
Inspection Fees	20,000	15,000	13,188	(1,812)
Project Fees	55,000	55,000	12,908	(42,092)
Permit Fees	5,800	6,000	5,700	(300)
Sampling Fees	15,000	15,000	22,075	7,075
Lab Testing Fees	25,000	35,000	56,838	21,838
Taxable Sales	2,000	2,000	1,317	(683)
General Other Revenue	260,000	260,000	2,944,907	2,684,907
Total	11,482,800	11,488,000	13,917,319	2,429,319
Non-operating Revenues				
Property Taxes	4,085,000	4,085,000	4,388,121	303,121
Impact Fees	350,000	200,000	177,018	(22,982)
Delinquent Account Administration Fees	125,000	120,000	118,796	(1,204)
Interest	120,000	600,000	667,840	67,840
Surplus Property Sales	200,000	300,000	23,891	(276,109)
WFWQC Contributions	800,000	800,000	800,000	-
ARPA Grant Revenue	-	1,000,000	1,000,000	-
Total	5,680,000	7,105,000	7,175,666	70,666
Total Revenue	\$ 17,162,800	\$ 18,593,000	\$ 21,092,985	\$ 2,499,985
EXPENSES				
Operating Expenses				
Operating Expenses	\$ 244,500	\$ 259,755	\$ 248,376	\$ 11,379
Repairs & Maintenance	417,500	417,500	412,948	4,552
Utilities	669,200	669,200	676,561	(7,361)
Payroll and Benefits	5,285,000	5,258,000	5,271,400	(13,400)
Biosolid Disposal	50,000	50,000	47,900	2,100
No-Fault Sewer Back-up	30,000	30,000	24,756	5,244
Outside Services	566,000	566,000	508,973	57,027
Chemicals	1,750,000	1,750,000	1,631,775	118,225
Lab Testing	319,000	319,000	305,525	13,475
Transportation	89,000	89,000	63,736	25,264
Buildings & Grounds	140,000	140,000	134,836	5,164
Office & Computer	429,100	385,600	366,925	18,675
Insurance	225,000	225,000	223,702	1,298
Audit & Accounting	22,500	22,500	22,500	-
Utah DWQ Fees	19,000	19,000	-	19,000
Education & Training	72,500	72,500	74,498	(1,998)
Total	\$ 10,328,300	\$ 10,273,055	\$ 10,014,411	\$ 258,644

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, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Outfall/Sewer Lines	518,000	518,000	517,794	206
Operating Equipment	160,000	160,000	5,934	154,066
Building and Facilities	5,300,000	5,300,000	4,586,112	713,888
Mobile Equipment	452,000	452,000	320,525	131,475
Major Equipment & Engineering	100,000	-	-	-
Office Equipment	290,000	-	-	-
Other				
Debt Service	3,039,213	3,039,213	3,038,352	861
Finance Costs - SP	50,000	100,000	7,000	93,000
Finance Costs - NP		-	-	-
Total	9,909,213	9,569,213	8,475,717	1,093,496
				-
Total Expenses	20,237,513	19,842,268	18,490,128	1,352,140
Excess of Revenue over Expenses	\$ (3,074,713)	\$ (1,249,268)	\$ 2,602,857	\$ 3,852,125

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
For the Year Ending, December 31, 2023

Customer Name	Account	Service	Amount	Post Date	Comments
2055 ON MAIN HOA	11076-00	IMPACT FEES	\$30,324.00	01/12/2023	F23-001-019 R37829-37847
SYMPHONY HOMES, LLC	25493-00	IMPACT FEES	\$1,596.00	01/19/2023	F23-020 R37887
LIBERTY HOMES & REMODELING	10591-00	IMPACT FEES	\$1,596.00	02/13/2023	F23-022 R38053
B. CHRISTOPHER BUILDERS, INC	17979-00	IMPACT FEES	\$1,596.00	02/15/2023	F23023 R38073
STUART, TOM & STEPHANIE	17980-00	IMPACT FEES	\$1,596.00	02/16/2023	F23025 37078
SYMPHONY HOMES, LLC	25513-00	IMPACT FEES	\$1,596.00	02/16/2023	F23-027 R38080
ANDERSON, KATHLEEN & FRED	25514-00	IMPACT FEES	\$1,596.00	02/16/2023	F23-028 R38081
SYMPHONY HOMES, LLC	25515-00	IMPACT FEES	\$1,596.00	02/16/2023	F23-026 R38079
FERLIN, RICK & LORI	04207-00	IMPACT FEES	\$1,596.00	02/17/2023	F23029 38084
WILSON PROPERTIES &	01964-00	IMPACT FEES	\$2,593.50	02/22/2023	2/22/23 ADD IMP FEES
WOODS CROSS INDUSTRIAL LLC	17989-00	IMPACT FEES	\$1,675.80	03/06/2023	3/6/23 ADD IMP FEES
SYMPHONY HOMES, LLC	25500-00	IMPACT FEES	\$1,596.00	03/17/2023	F23-031 R38197
YPCBRE LLC	01079-00	IMPACT FEES	\$4,645.20	03/23/2023	F23-033 R38216
YPCBRE LLC	09010-00	IMPACT FEES	\$1,177.40	03/23/2023	F23-032 R38215
BEARD CONSTRUCTION	04959-00	IMPACT FEES	\$1,596.00	03/29/2023	F23-038 R38239
BLACK, BRIAN & KRISTI	06618-00	IMPACT FEES	\$558.60	03/29/2023	F23-037 R38240
HOUSLEY GROUP	13418-00	IMPACT FEES	\$1,596.00	04/13/2023	F23-039 R38293
RIMINI PROPERTIES LLC	04434-00	IMPACT FEES	\$1,735.50	04/17/2023	4/17/23 ADDITIONALIMPACT FEES
BOUNTIFUL CITY	20169-00	IMPACT FEES	\$1,778.00	04/21/2023	*ADD IMPACT FEES
2055 ON MAIN HOA	11076-00	IMPACT FEES	-\$1,596.00	04/25/2023	A23-062 ADJUSTING FOR CREDIT OF DEMO
TLANIPA COMPANY	07811-00	IMPACT FEES	\$1,037.40	06/06/2023	F28-048 R38488
M&C REAL ESTATE INVESMENTS	01853-00	IMPACT FEES	\$1,596.00	06/08/2023	F23-035 R38222
M&C REAL ESTATE INVESMENTS	01854-00	IMPACT FEES	\$1,596.00	06/08/2023	F23-034 R38223
HANSEN, MARK & LESLIE	31789-00	IMPACT FEES	-\$1,596.00	06/16/2023	*6/16/23 A23068 CREDIT FOR ADU IMPACT FEES
NELSON, HANK & EMILY	19583-00	IMPACT FEES	-\$1,596.00	06/16/2023	*6/16/23 A23067 CREDIT FOR ADU IMPACT FEES
ALEGRIA, JORGE IPINA &	10926-00	IMPACT FEES	\$2,453.00	06/23/2023	F23050 R38559
SYMPHONY HOMES, LLC	25472-00	IMPACT FEES	\$2,453.00	07/07/2023	F23-052 R38604
PARKE, BRIAN & STEPHANIE	19525-00	IMPACT FEES	\$2,453.00	07/10/2023	F23-053 R38609
WELLS, MARIA RODRIGUEZ &	05960-00	IMPACT FEES	\$2,453.00	07/18/2023	F23-054 R38655
SYMPHONY HOMES, LLC	25471-00	IMPACT FEES	\$2,453.00	07/25/2023	F23-056 RECEIPT 38693
TOLL BROS INC	19700-00	IMPACT FEES	\$2,453.00	07/26/2023	F23057 38707
TOLL BROS INC	19745-00	IMPACT FEES	\$2,453.00	07/26/2023	F23-059 R38706
TOLL BROS INC	19765-00	IMPACT FEES	\$2,453.00	07/26/2023	F23058 R38708
PENA, PRISCILLA IPINA & JOSE	35253-00	IMPACT FEES	\$2,453.00	08/10/2023	F23-061 R38786
UPDWELL HOMES LLC	10590-00	IMPACT FEES	\$2,453.00	08/14/2023	F23-062 R38795
IVORY HOMES	19978-00	IMPACT FEES	\$2,453.00	08/21/2023	F23-063 R38822
STIKKI ENTERPRISES LLC	03309-00	IMPACT FEES	\$319.20	08/24/2023	F23-064 ADDITIONAL IMPACT FEES
ALL POINTS B2B NSL LLC	08342-00	IMPACT FEES	\$1,436.40	08/24/2023	F23-066 ADDITIONAL IMPACT FEES
CENTER STREET INVESTMENTS	10211-00	IMPACT FEES	\$1,260.00	08/24/2023	F23-065 ADDITIONAL IMPACT FEES
SYMPHONY HOMES, LLC	14627-00	IMPACT FEES	\$2,453.00	09/01/2023	F23-069 R38877
PROPELLER PARK OWNERS	09406-00	IMPACT FEES	\$10,670.55	09/05/2023	F23070 R38885
NEAGLE, JEFFREY & PEGGY	19515-00	IMPACT FEES	\$2,453.00	09/11/2023	F23-071 R38901
WORKMAN, CALEB	14993-00	IMPACT FEES	\$2,453.00	09/19/2023	F23-072 R38929
SYMPHONY HOMES, LLC	25512-00	IMPACT FEES	\$2,453.00	09/27/2023	F23074 R38964
IVORY DEVELOPMENT LLC	19974-00	IMPACT FEES	\$2,453.00	10/23/2023	F23-075 #39046
RAINEY HOMES	14995-00	IMPACT FEES	\$2,453.00	11/02/2023	F23-076 R39090
SYMPHONY HOMES, LLC	25470-00	IMPACT FEES	\$2,453.00	11/03/2023	F23-077 #39096
KNOWLTON GENERAL	09384-00	IMPACT FEES	\$47,880.00	11/22/2023	F23-079 R39158
REESE, ANDREW & BAYLEE	19585-00	IMPACT FEES	\$2,453.00	12/13/2023	F23-080 R39223
ABADI, NATHAN REDENSKY &	19778-00	IMPACT FEES	\$2,453.00	12/20/2023	F23-081 R39257
SYMPHONY HOMES, LLC	25516-00	IMPACT FEES	\$2,453.00	12/21/2023	F#23-082 REC#39268
SYMPHONY HOMES, LLC	25517-00	IMPACT FEES	\$2,453.00	12/21/2023	#F23-083 REC#39269

Total Impact Fees:	\$177,017.55
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Source: District accounting records

STATISTICAL SECTION



STATISTICAL SECTION

(unaudited)

This part of the South Davis Sewer District's 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 condition.

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 Annual Comprehensive Financial Report.

Contents	Page
Financial Trends <i>These schedules contain trendy information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	79
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue source.</i>	81
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>	91
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>	95
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>	100

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

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

Schedule 1

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Assets										
Current & Other Assets	\$ 11,056,497	\$ 8,590,399	\$ 25,454,172	\$ 19,048,196	\$ 8,597,216	\$ 7,852,500	\$ 13,759,859	\$ 19,629,290	\$ 19,562,221	\$ 15,739,177
Other Restricted Assets	8,528,058	14,204,791	12,097,878	12,105,663	12,790,626	5,007,571	16,200,816			-
Capital	124,698,019	118,938,307	110,882,997	103,786,688	101,676,993	95,253,455	75,335,401	62,622,006	61,735,456	60,919,692
Total Assets	\$ 144,282,574	\$ 141,733,497	\$ 148,435,047	\$ 134,940,547	\$ 123,064,835	\$ 108,113,526	\$ 105,296,076	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869
Deferred Outflows of Resources	1,240,960	913,405	745,609	707,206	1,208,371	737,874	1,070,080	900,460	361,388	-
Total Assets & Deferred Outflows of Resources	\$ 145,523,534	\$ 142,646,902	\$ 149,180,656	\$ 135,647,753	\$ 124,273,206	\$ 108,851,400	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065	\$ 76,658,869
Liabilities										
Current Liabilities	\$ 3,722,425	\$ 3,811,384	\$ 2,247,166	\$ 2,247,166	\$ 2,374,684	\$ 720,046	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507
Non-Current Liabilities	35,854,140	37,093,368	31,317,639	31,317,639	33,979,354	22,271,761	22,868,453	1,948,777	1,343,615	403,555
Total Liabilities	\$ 39,576,565	\$ 40,904,752	\$ 33,564,805	\$ 33,564,805	\$ 36,354,038	\$ 22,991,807	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062
Deferred Inflows of Resources	254,665	3,425,698	1,444,073	707,262	38,377	568,209	207,617	128,199	127,979	
Total Liabilities & Deferred Inflows of Resources	\$ 39,831,230	\$ 44,330,450	\$ 35,008,878	\$ 34,272,067	\$ 36,392,415	\$ 23,560,016	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914	\$ 734,062
Net Position:										
Net Investment in Capital Assets	\$ 93,270,182	\$ 88,632,423	\$ 76,143,162	\$ 74,410,887	\$ 69,480,107	\$ 74,470,294	\$ 56,736,773	\$ 62,253,415	\$ 61,660,782	\$ 60,838,477
Restricted - Net Pension	-	3,035,089	-	-	-	-	-	-	-	-
Restricted - Capital Projects	-	-	10,068,063	10,075,848	10,725,278	2,942,223	14,184,170	-	-	-
Restricted - Debt Service	-	-	2,427,529	2,029,815	2,016,206	2,065,348	2,016,645	18,298,741	18,123,369	15,086,330
Unrestricted	12,422,122	6,648,940	5,423,208	2,753,473	5,659,200	5,813,519	9,535,817	-	-	-
Total Net Position	\$ 105,692,304	\$ 98,316,452	\$ 94,061,962	\$ 89,270,023	\$ 87,880,791	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807

Source: District accounting and financial records, Zions Trust and Zions Public Finance

Notes: SDSD is the agent entity for a interlocal agreement for the Wasatch Front Water Quality Council (WFWQC)
2023 Contracted with the State of Utah to operate a superfund site (OU2) in West Bountiful.
GASB Statement No 68 (Pension Plans) implemented in 2015
Issued 20-year taxable revenue bonds series 2017A to finance construction of the WRR facility (\$21,195,000)
Issued 20-year revenue bonds series 2019 to finance South Treatment Plant rehabilitation (\$12,179,000).
Issued 20-year revenue bonds, series 2021 to finance both Treatment Plants rehabilitation (\$10,000,000)

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

Schedule 2

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating Revenues										
Sewer Service Fees	\$ 10,102,357	\$ 9,999,186	\$ 8,093,281	\$ 5,199,733	\$ 5,082,655	\$ 3,799,780	\$ 2,503,469	\$ 2,471,683	\$ 2,266,210	\$ 2,235,118
Sewer Special Treatment Fees	758,029	658,907	652,034	404,955	383,725	336,261	205,292	197,526	180,779	213,554
Inspection & Project Fees	26,096	63,660	85,118	68,800	113,135	93,980	34,276	33,730	20,470	40,200
Other	1,582,337	95,982	711,947	523,784	464,083	470,537	454,201	278,265	295,526	253,912
Total Operating Revenue	\$ 12,468,819	\$ 10,817,735	\$ 9,542,380	\$ 6,197,271	\$ 6,043,598	\$ 4,700,558	\$ 3,197,238	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784
Operating Expenses										
Operating & Maintenance	\$ 10,678,571	\$ 8,451,481	\$ 7,255,661	\$ 7,571,711	\$ 6,709,393	\$ 7,120,946	\$ 6,691,513	\$ 6,666,828	\$ 5,935,569	\$ 5,532,400
Depreciation	278,459	292,788	467,448	458,530	279,873	285,891	323,330	326,654	278,380	342,111
Total Operating Expenses	\$ 10,957,030	\$ 8,744,269	\$ 7,723,109	\$ 8,030,241	\$ 6,989,266	\$ 7,406,837	\$ 7,014,843	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511
Operating Income (Loss)	\$ 1,511,789	\$ 2,073,466	\$ 1,819,272	\$ (1,832,970)	\$ (945,668)	\$ (2,706,279)	\$ (3,817,605)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 4,620,695	\$ 4,838,069	\$ 3,448,081	\$ 2,304,411	\$ 2,272,062	\$ 2,483,497	\$ 2,102,078	\$ 2,282,560	\$ 2,208,762	\$ 2,078,046
Impact Fees	177,018	353,562	778,076	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201
Miscellaneous Revenue	-	-	-	-	-	-	-	119,065	140,865	113,190
Intergovernmental Contributions	800,000	804,000	800,000	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000
Project Grant	1,000,000	-	-	-	-	-	-	-	-	-
Interest Income	667,840	273,562	50,435	186,855	184,810	306,480	302,862	178,050	94,186	75,657
Gain (Loss) on Disposal of Property	112,280	48,615	38,463	24,552	98,114	256,975	87,959	36,394	33,603	104,325
Interest & Bond Costs	(1,199,911)	(1,234,371)	(1,158,733)	(1,101,213)	(914,791)	-	(483,601)	-	-	-
Net Change in Fair Value of Investments	92,192	5,568	(8,438)	34,304	144,118	58,256	13,482	20,829	(14,326)	(2,552)
Equity in Earnings (Loss) WRR	(1,581,444)	(2,337,907)	(1,293,403)	(1,957,333)	(1,046,350)	(124,039)	(123,714)	-	-	-
Impairment Loss	-	(2,500,000)	-	-	-	-	-	-	-	-
Contributions to Other Governments	(232,574)	(163,918)	-	-	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 4,456,096	\$ 87,180	\$ 2,654,481	\$ 1,195,919	\$ 2,295,469	\$ 4,626,273	\$ 3,413,655	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867
Income (Loss) Before Contributions	\$ 5,967,885	\$ 2,160,646	\$ 4,473,752	\$ (637,051)	\$ 1,349,801	\$ 1,919,994	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140
Capital Contributions - Assets	1,407,967	2,093,844	318,187	2,026,283	1,239,606	897,985	2,325,199	650,236	266,362	1,327,057
Increase in Net Assets	\$ 7,375,852	\$ 4,254,490	\$ 4,791,939	\$ 1,389,232	\$ 2,589,407	\$ 2,817,979	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197
Total Net Position at Beginning of Year	98,316,452	94,061,962	89,270,023	87,880,791	85,291,384	82,473,405	80,552,156	79,784,151	75,924,807	73,892,610
Prior Period Adjustment	-	-	-	-	-	-	-	-	(776,173)	-
Total Net Position at End of Year	\$ 105,692,304	\$ 98,316,452	\$ 94,061,963	\$ 89,270,023	\$ 87,880,791	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807

Source: District accounting and financial records, Davis County

Notes

- 2013 & 2015 prior period adjustment resulted from a journal entry error.
- 2015 GASB Statement No 68 (Pension Plan) implemented
- 2015 received impact fee from Holly Refinery for \$3,702,000
- Issued 20-year taxable revenue bonds series 2017A to finance construction of WRR facility
- Issued 20-year taxable revenue bonds series 2019 to finance plant rehabilitation of South Treatment Plant.
- Issued 15-year combined utility bonds, series 2021 to finance plant rehabilitation of South Treatment Plant.
- Wasatch Resource Recovery Impairment Loss 2022

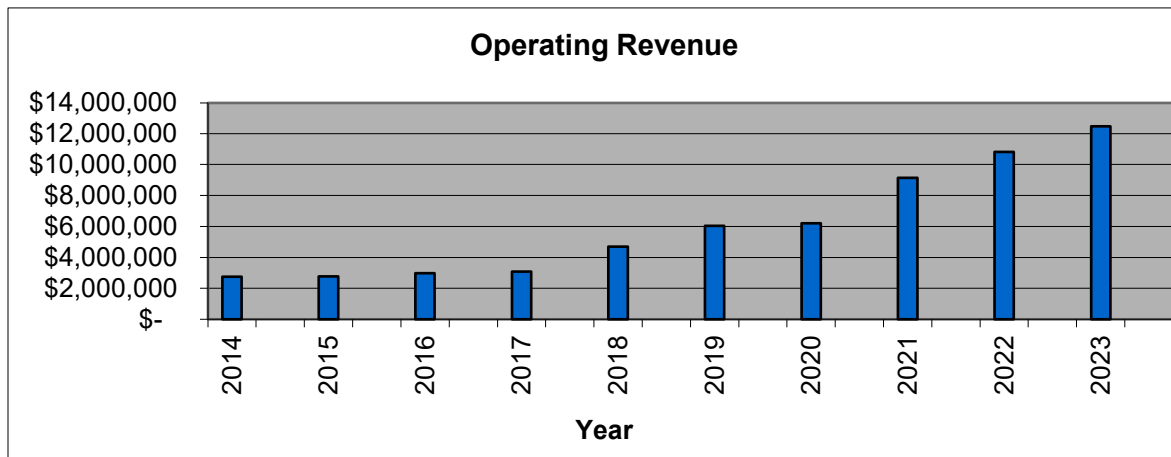
SOUTH DAVIS SEWER DISTRICT

Schedule 3

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
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
2018	3,799,780	430,241	470,537	4,700,558
2019	5,082,655	496,860	464,083	6,043,598
2020	5,199,731	473,755	523,785	6,197,271
2021	8,093,281	791,683	249,328	9,134,292
2022	9,999,186	722,567	95,982	10,817,735
2023	10,102,357	784,125	1,582,337	12,468,819



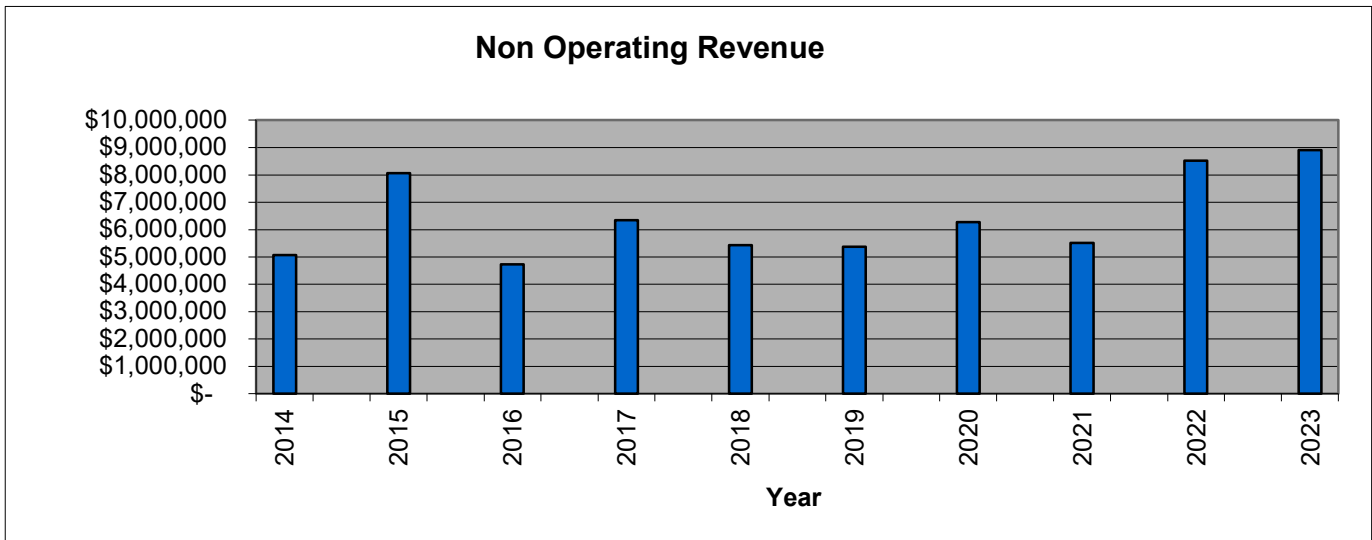
Source: District accounting records

Notes: Sewer Service rate increase from \$10.00 per month to \$15.50 per month, effective January 2021
 Sewer Service rate increase from \$15.50 per month, to \$19.00 per month, effective January 2022

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

Schedule 4

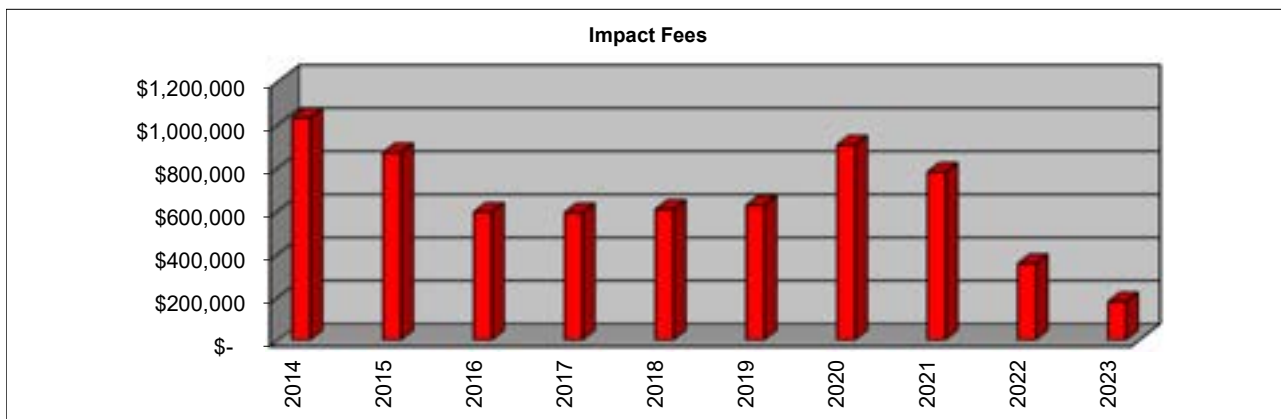
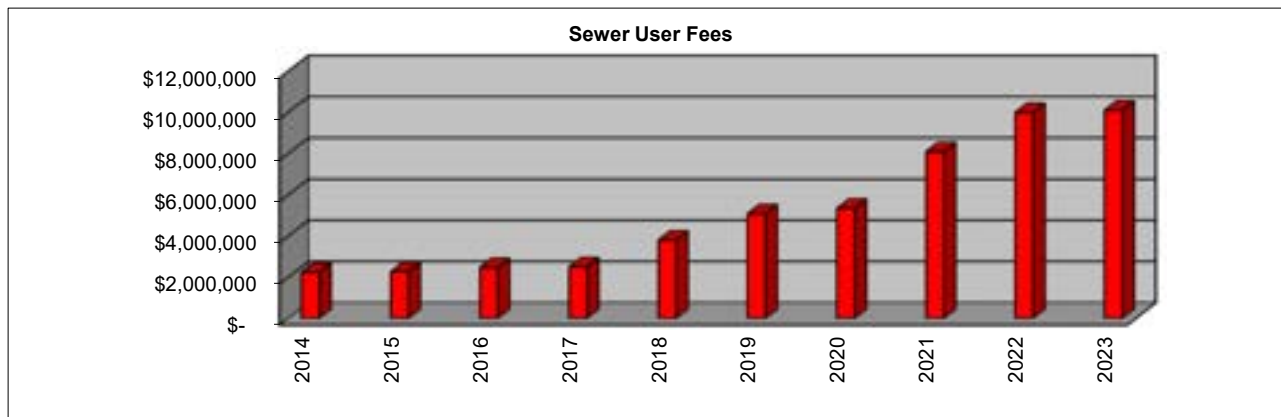
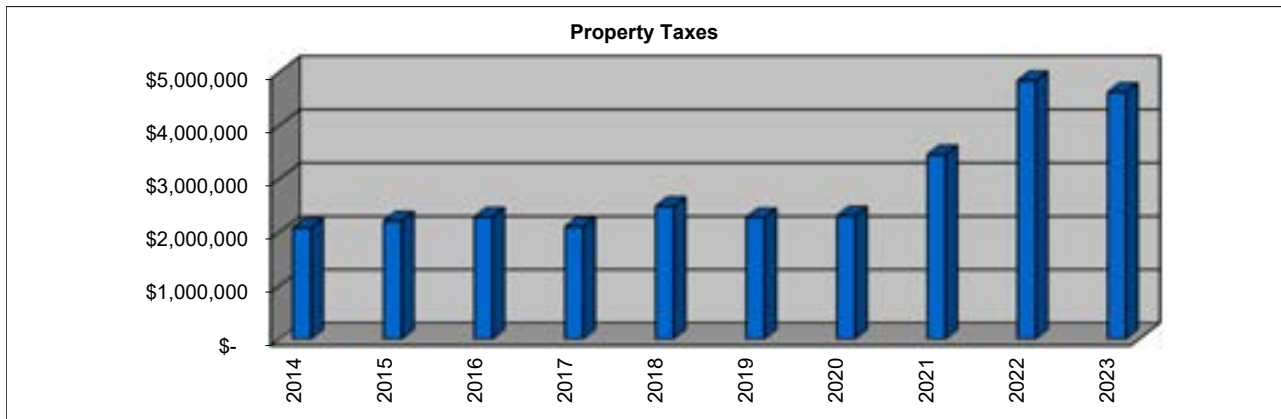
Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061
2017	\$ 2,102,078	\$ 2,325,199	\$ 589,843	\$ 302,862	\$ 99,746	\$ 924,746	\$ 6,344,474
2018	\$ 2,483,497	\$ 897,985	\$ 604,760	\$ 306,480	\$ 100,344	\$ 1,040,344	\$ 5,433,410
2019	\$ 2,272,062	\$ 1,239,606	\$ 624,221	\$ 184,810	\$ 117,585	\$ 933,285	\$ 5,371,569
2020	\$ 2,304,411	\$ 2,026,283	\$ 903,643	\$ 186,855	\$ 58,856	\$ 800,700	\$ 6,280,748
2021	\$ 3,448,081	\$ 318,187	\$ 778,076	\$ 50,435	\$ 121,420	\$ 800,000	\$ 5,516,199
2022	\$ 4,838,069	\$ 2,093,844	\$ 353,562	\$ 273,562	\$ 163,918	\$ 804,000	\$ 8,526,955
2023	\$ 4,620,695	\$ 1,407,967	\$ 177,018	\$ 667,840	\$ 232,574	\$ 1,800,000	\$ 8,906,094



Source: District financial and accounting records

Notes: Table & chart does not include realized, unrealized, gain or loss from investments and/or sale of equipment
 Received in 2015 impact fee from Holly Refinery expansion in the amount of \$3,702,000
 Tax Increment from CDA is classified as Miscellaneous Income
 Received in 2023 ARPA grant from the Federal Government in the amount of \$1,000,000

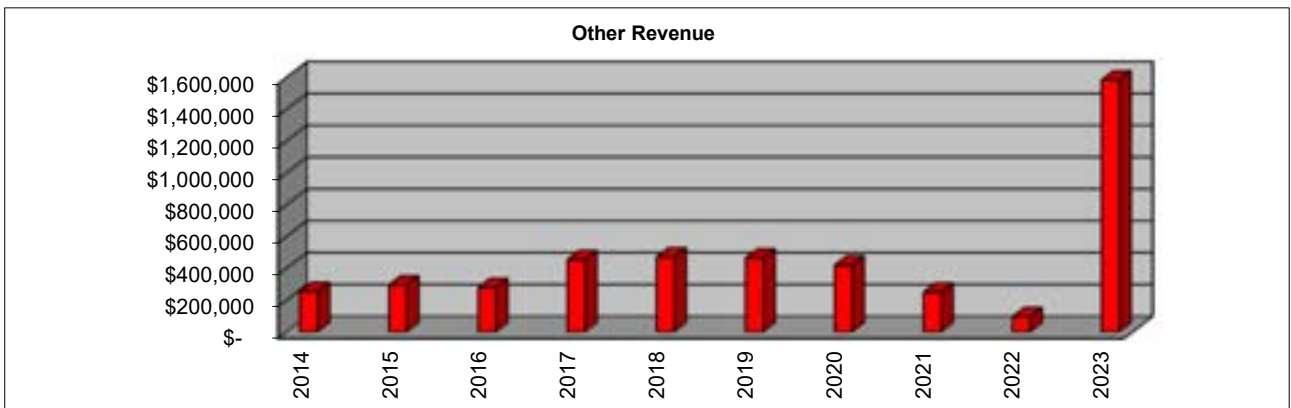
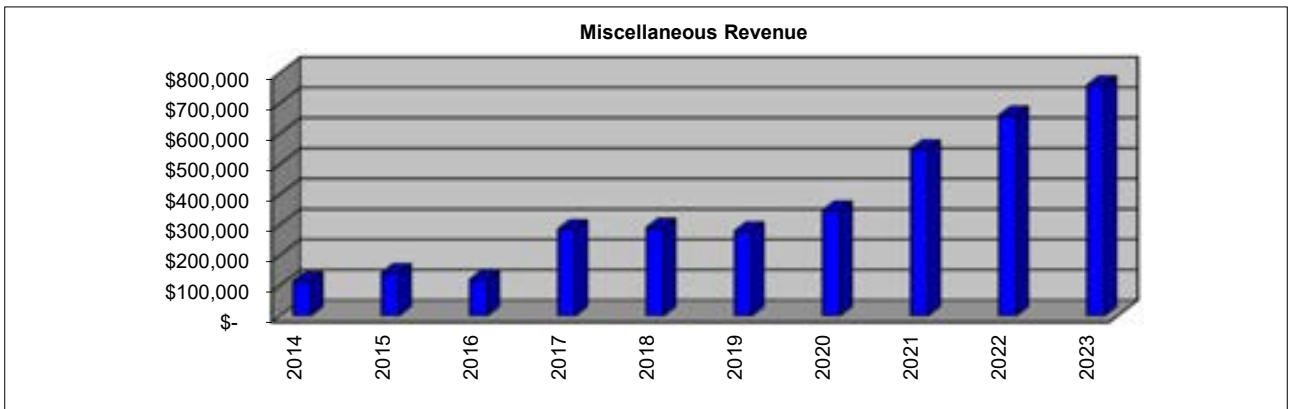
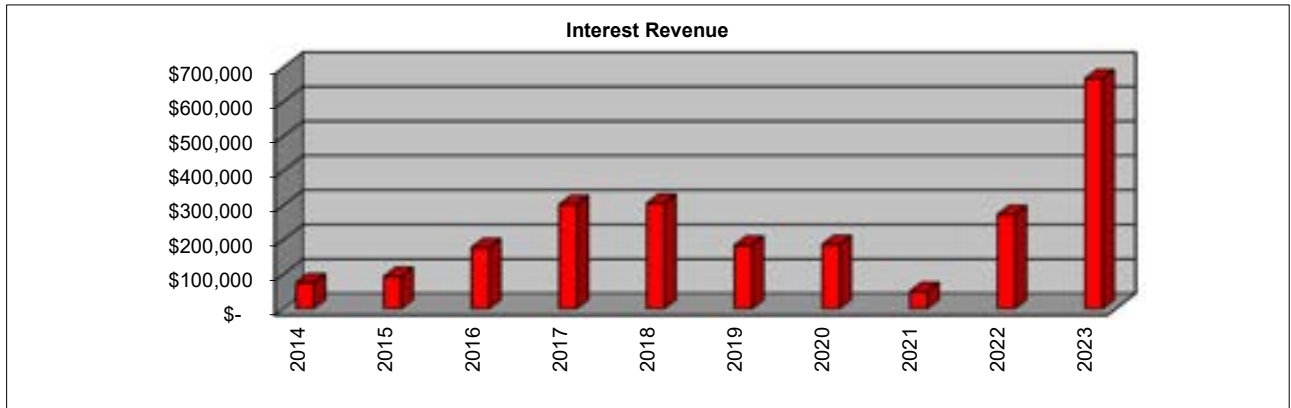
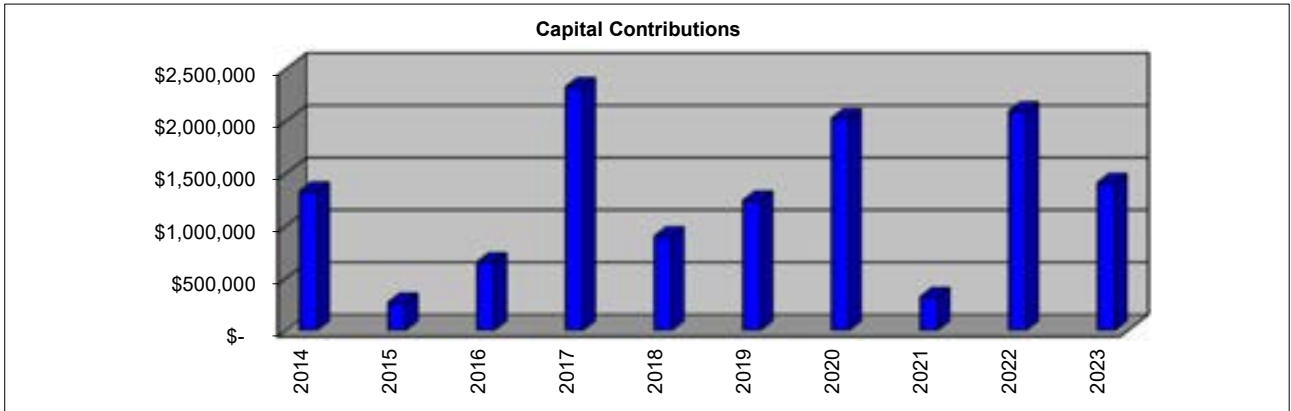
Revenues by Source (Unaudited)
Last Ten Fiscal Years



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.

Notes: 2023 \$1,000,000 ARPA grant from Federal Government
2023 received \$1,000,000 from ALPRO for WRR expenses

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
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%
2018	2,231,675	2,155,680	96.6%	46,080	2,201,760	98.7%
2019	2,313,762	2,218,428	95.9%	60,748	2,279,176	98.5%
2020	2,343,647	2,245,767	95.8%	44,211	2,289,978	97.7%
2021	3,287,121	3,151,084	95.9%	86,346	3,237,429	98.5%
2022	4,379,851	4,205,357	96.0%	126,180	4,331,537	98.9%
2023	4,511,212	4,306,466	95.5%	112,026	4,418,492	97.9%

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
2014	\$60	\$48	\$1,596
2015	\$60	\$48	\$1,596
2016	\$60	\$48	\$1,596
2017	\$60	\$48	\$1,596
2018	\$120	\$96	\$1,596
2019	\$120	\$96	\$1,596
2020	\$120	\$96	\$1,596
2021	\$186	\$150	\$1,596
2022	\$228	\$186	\$2,453
2023	\$228	\$186	\$2,453

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

Notes: 2022 impact fees increased from \$1,596 to \$2,453
 2022 sewer service rates increased annually from \$186 to \$228

SOUTH DAVIS SEWER DISTRICT
Principle Wastewater Contributors
For the Year Ended December 31, 2023

Schedule 9

<u>DISTRICT</u>	<u>DISCHARGE</u>
DAVIS COUNTY CHURCHES	15,501,000
DAVIS COUNTY SCHOOLS	14,732,000
RESAURANTS	46,532,000
LARGE RETAILSTORES	72,199,000
CAR WASH / DEALERS	67,354,000
MEDICAL CENTERS / RETIREMENT HOMES	40,354,000
HOTELS	21,199,000
HEATLH CLUBS / BOUNTIFUL REC. CENTER	20,631,000
DRY CLEANERS / LAUNDRY	9,488,000
<u>BOUNTIFUL CITY</u>	
SOUTH DAVIS REC CENTER	15,040,000
LDS TEMPLE BOUNTIFUL UT	12,400,000
LAKEVIEW HOSPITAL	9,300,000
QQ UTAH 3 LLC	6,496,000
BOUNTIFUL CITY PARK	5,487,000
QQ UTAH 3 LLC	5,194,000
CC8 BNTFL PROP. LLC	4,666,000
G&E HEALTHCARE REIT RENAISSANCE LLC	4,452,000
KRO-706-444 SMITH FOOD KING	4,051,000
COMMON CENTS CAR WASH	3,616,000
LIFE CARE CENTER OF BOUNTIFUL	3,419,000
SLIM OLSON SERVICE STATION	3,349,000
EOS FITNESS FINESS ALLIANCE	3,144,000
SANDSTONE HEALTH CARE	3,052,000
MISTER CAR WASH	2,925,000
MANDARIN RESTAURANT	2,592,000
P&F BOUNTIFUL LLC / WHITE COIN LAUNDRY	2,325,000
MAIN STREET INVESTMENTS LLC	2,305,000
CTR PARTNERSHIP LP	2,291,000
<u>CENTERVILLE</u>	
AIR PRODUCTS MFG CORP*	13,667,620
QQ UTAH LLC	6,149,000
IN & OUT BURGER	2,278,000
HOME DEPOT	2,168,000
<u>NORTH SALT LAKE</u>	
BIG WEST OIL REFINERY*	223,296,810
CHEVRON PRODUCTS – REFINERY*	21,045,392
BIG WEST OIL Other Buildings	11,261,000
INNOPHOS LLC - WOODY IV LLC	9,305,884

Continued next page.

SUN COMMUNITIES RV Resort	7,700,000
DURA LINE CORP	7,491,000
ADVANCED DRAINAGE SYSTEMS INC	7,170,000
QQ UTAH 3 LLC- CAR WASH	6,327,000
RICK JENSEN CAR WASH	7,087,000
COTTONTREE INN	4,966,000
ALBERTSON'S DISTRICT CENTER	4,624,000
CHECKERPOPERTY UT	3,866,000
ZERO MANUFACTURING INC ~IP	3,821,656
MARSHALL RADIO TELEMTRY	3,638,000
AMERICAN SPECIALTY GLASS	2,782,000
PILOT TRAVEL PLAZA	27,799,000
JJ BAKD -VIP CAR WASH	2,722,000
HOLIDAY OIL CO (CAR WASH)	2,609,000

WEST BOUNTIFUL

HOLLY FRONTIER WX REFINING*	423,279,760
COUNTY INN SUITES	3,295,000
COSTCO WAREHOUSE	1,831,000
CHUCK-A-RAMA BUFFET	1,518,000

WOODS CROSS

SILVER EAGLE REFINING -WX INC*	59,818,071
INTERMOUNTAIN HEALTH CARE INC	37,650,923
BENCHMARK REGIONAL HOSPITAL	8,501,000
CAT-OFFICE/ COWBOY ASPHALT *	4,734,000
D WOOD HOTEL - MOTEL 6	4,166,000
MANUEL FINE FOODS	4,067,000
INTOWN SUITES MANAGEMENT INC	3,931,000
WESTERN EMULSION INC	3,091,000
COMFORT INN PERTA HOPSITALITY	2,943,000
MURDOCK CHEVROLET INC	2,553,000

Source: District accounting records and engineering flow records

**SOUTH DAVIS SEWER DISTRICT
Top Non-Residential Customers
For the Year Ending December 31, 2023**

Schedule 10

NAME	AMOUNT
HF SINCLAIR WX REFINING LLC*	\$938,572.52
BIG WEST OIL LLC*	\$282,366.38
SILVER EAGLE REFINING -WX INC*	\$76,436.50
INTERMOUNTAIN HEALTH CARE INC	\$49,385.08
INNOPHOS LLC	\$41,232.97
CHEVRON PRODUCTS COMPANY*	\$38,478.17
CC8 BOUNTIFUL PROPERTY LLC	\$26,676.00
LAKEVIEW HOSPITAL	\$26,040.80
SOUTH DAVIS RECREATION CENTER	\$21,383.25
AIR PRODUCTS	\$16,424.92
BIG WEST OIL LLC	\$15,200.24
CREEKSIDE SENIOR LIVING	\$15,048.00
SUN COMMUNITIES	\$15,021.47
LEGACY HOUSE OF BOUNTIFUL LLC	\$13,908.00
COTTONTREE HOSPITALITY GROUP	\$13,452.00

Source: District engineering, Division of Water Quality, State of Utah

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

Schedule 11

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Revenues										
Operating Revenues	\$ 12,468,819	\$ 10,817,735	\$ 9,542,380	\$ 6,197,271	\$ 6,043,598	\$ 4,576,519	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784
Operating Expenses (excluding depreciation)	(10,678,571)	(8,451,481)	(7,255,661)	(7,571,711)	(6,863,930)	(7,120,946)	(6,691,513)	(6,840,618)	(5,935,569)	(5,532,400)
General Property Tax	4,620,695	4,838,069	3,448,081	2,304,411	2,272,062	2,483,497	2,102,078	2,282,560	2,208,762	2,082,256
Impact Fees	177,018	353,562	778,076	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201
Intergovernmental Contributions	800,000	804,000	800,000	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000
Project Grant Revenue	1,000,000	-	-	-	-	-	-	-	-	-
General Other Revenue	1,582,337	95,982	100,110	58,856	-	-	-	119,065	140,865	113,190
Interest Income	667,840	273,562	50,435	186,855	184,810	306,480	342,773	178,050	94,186	75,657
Total Net Revenues	\$ 10,638,138	\$ 8,731,429	\$ 7,463,421	\$ 2,880,025	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688
Net Revenues Excluding Impact Fees										
Net Revenues	\$ 10,638,138	\$ 8,731,429	\$ 7,463,421	\$ 2,880,025	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688
Impact Fees	(177,018)	(353,562)	(778,076)	(903,643)	(624,221)	(604,760)	(589,843)	(592,322)	(4,572,029)	(868,201)
Net Revenues Excluding Impact Fees	\$ 10,461,120	\$ 8,377,867	\$ 6,685,345	\$ 1,976,382	\$ 2,569,825	\$ 1,285,894	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487
Aggregate Debt Service*	\$ 3,039,213	\$ 3,070,371	\$ 2,427,529	\$ 1,895,842	\$ 1,637,763	\$ 837,244	\$ 451,461	\$ -	\$ -	\$ -
Ratio of Net Revenues to Aggregate Debt Service	3.50	2.84	3.07	1.52	1.95	2.26	0.76			
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	3.44	2.73	2.75	1.04	1.57	1.54	(0.55)			
Minimum Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: District accounting and financial records.

Notes: 2015 GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000
 2017 Issued 20-year series 2017 taxable revenue bonds to finance the construction of the WRR project \$21,195,000
 2019 issued 20-year revenue bonds to finance ABNR and Treatment Plant rehabilitation
 2021 issued 20-year revenue bonds to finance Treatment Plant rehabilitation
 Bond payments are semi annual and due June 1st and December 1st. Average coupon rate is 4.179%
 2018 sewer service rate increase from \$5.00 per month to \$10.00 per month
 2019 sewer service rate increase from \$10.00 per month to \$15.50 per month
 2022 sewer service rate increase from \$15.50 per month to \$18.00 per month

SOUTH DAVIS SEWER DISTRICT
Outstanding Debt Ratios (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.
2014	\$ -	92,794	\$ -	\$ 12,782,158,840	0.000%	\$ 5,860,299,292	0.000%
2015	-	90,719	-	13,441,720,000	0.000%	6,065,092,075	0.000%
2016	-	97,252	-	14,149,554,259	0.000%	6,573,097,642	0.000%
2017	20,748,437	98,495	211	15,332,877,522	0.135%	7,504,784,496	0.276%
2018	20,783,161	98,806	210	16,279,387,915	0.128%	8,181,058,833	0.254%
2019	32,286,003	99,283	325	17,213,456,463	0.188%	8,685,244,151	0.372%
2020	31,492,910	103,000	306	18,464,452,500	0.171%	10,312,949,442	0.305%
2021	40,058,320	101,880	393	18,805,631,508	0.213%	11,531,394,043	0.347%
2022	38,253,967	105,225	364	22,525,300,005	0.170%	14,373,662,696	0.266%
2023	36,415,526	106,500	342	n/a	n/a	14,576,816,962	0.250%

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

Notes: Issued Series 2017A Taxable Revenue Bonds, \$21,195,000
 Issued Series 2019 Revenue Bonds, \$12,179,000
 Issued Series 2021 Combined Utility Revenue Bonds \$10,000,000
 Personal income informatiion was not available at the time of this schedule.

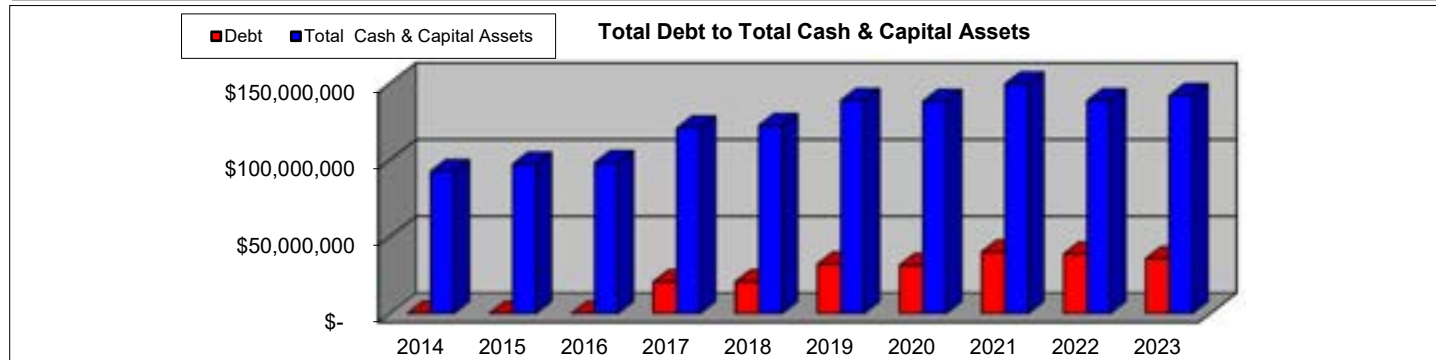
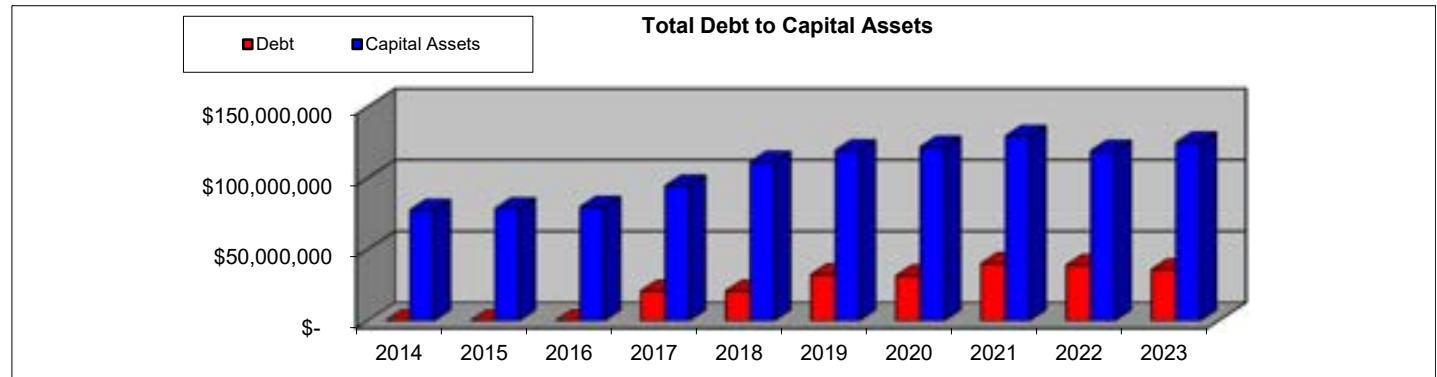
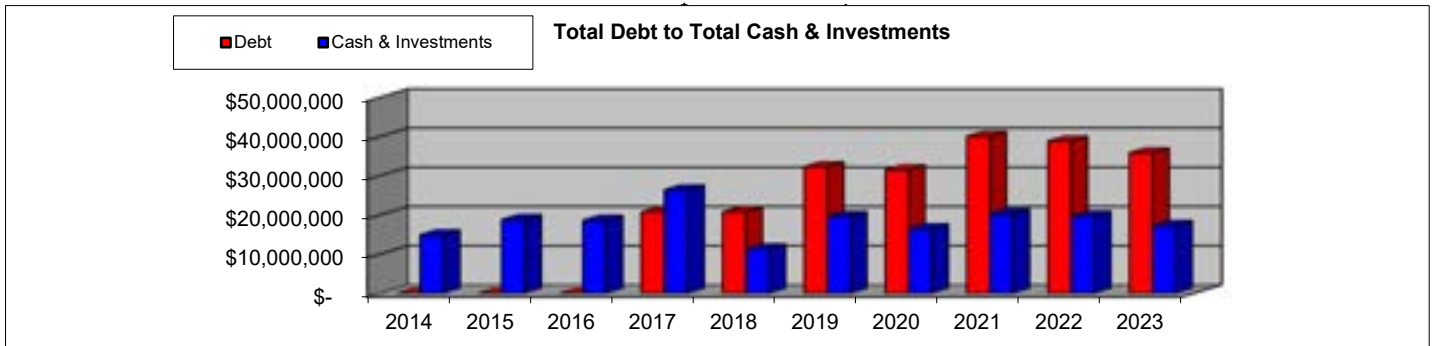
SOUTH DAVIS SEWER DISTRICT

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 & Capital Assets	% of Debt to Cash & Assets
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%
2017	20,748,437	26,397,185	78.60%	94,494,332	21.96%	120,891,517	17.16%
2018	20,783,161	11,358,517	182.97%	111,194,639	18.69%	122,553,156	16.96%
2019	32,286,003	19,629,236	164.48%	119,271,184	27.07%	138,900,420	23.24%
2020	31,492,910	16,483,288	191.06%	121,814,856	25.85%	138,298,144	22.77%
2021	40,058,320	20,315,086	197.19%	129,333,579	30.97%	149,648,665	26.77%
2022	38,853,967	19,787,702	196.35%	118,938,307	32.67%	138,726,009	28.01%
2023	35,854,140	17,337,142	206.81%	124,698,019	28.75%	142,035,161	25.24%



Source: District accounting records.

Note: Issued 20-year Series 2017 taxable revenue bonds (\$21,195,000) for construction of the WRR project..

Issued 20-year Series 2019 revenue bonds (\$12,179,000) for ABNR project and plant rehabilitation

Issued 20-year Series 2021 combined utility bonds (\$10,000,000) for plant rehabilitation

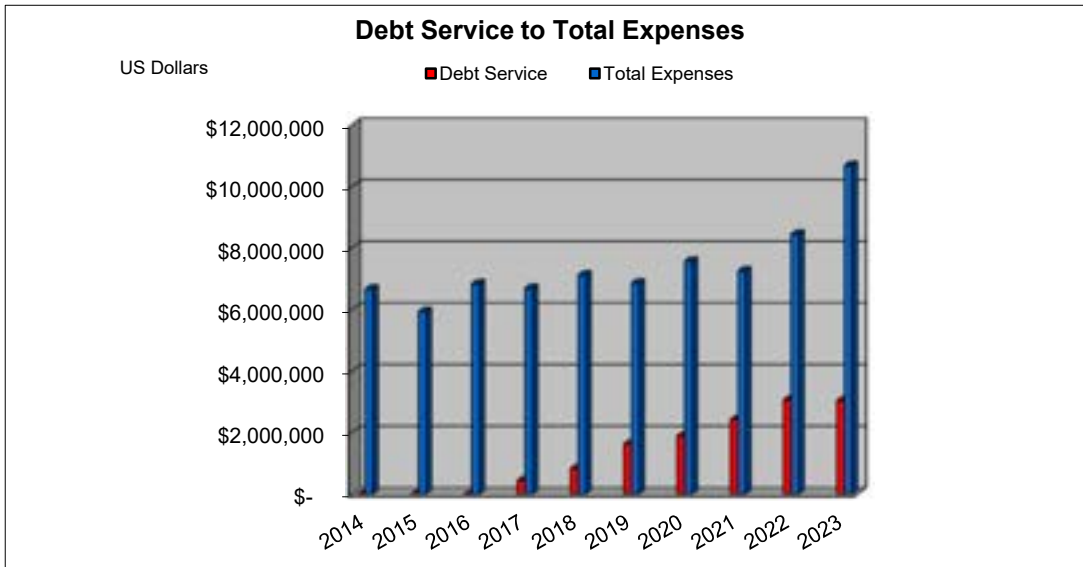
Capital assets are at historical cost (excluding depreciation).

Revenue bonds are net of unamortized discount

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
2014	\$ -	\$ 6,667,837	0.00%
2015	\$ -	\$ 5,935,569	0.00%
2016	\$ -	\$ 6,840,618	0.00%
2017	\$ 451,461	\$ 6,691,513	6.75%
2018	\$ 837,173	\$ 7,120,946	11.76%
2019	\$ 1,637,763	\$ 6,863,930	23.86%
2020	\$ 1,895,842	\$ 7,571,711	25.04%
2021	\$ 2,427,529	\$ 7,255,661	33.46%
2022	\$ 3,070,371	\$ 8,451,481	36.33%
2023	\$ 3,039,213	\$ 10,678,571	28.46%



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

Notes: Issued 20-year series 2017 taxable revenue bonds (\$21,195,000) for construction of the WRR project.
 Issued 20-year series 2019 revenue bonds (\$12,179,000) for ABNR project and plant rehabilitation
 Issued 20-year series 2021 combined utility bonds (\$10,000,000) for plant rehabilitation
 Total expenses excludes depreciation

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

Schedule 15

Year	Principle	Interest	Total	Population	Per Capita
2014	\$ -	\$ -	\$ -	95,200	\$ -
2015	\$ -	\$ -	\$ -	96,250	\$ -
2016	\$ -	\$ -	\$ -	97,252	\$ -
2017	\$ -	\$ 451,461	\$ 451,461	98,737	\$ 4.57
2018	\$ -	\$ 837,763	\$ 837,763	99,283	\$ 8.44
2019	\$ 800,000	\$ 837,763	\$ 1,637,763	101,858	\$ 16.08
2020	\$ 825,000	\$ 1,070,843	\$ 1,895,843	103,000	\$ 18.41
2021	\$ 1,380,000	\$ 1,047,529	\$ 2,427,529	104,800	\$ 23.16
2022	\$ 1,836,000	\$ 1,234,371	\$ 3,070,371	105,225	\$ 29.18
2023	\$ 1,869,000	\$ 1,170,213	\$ 3,039,213	106,500	\$ 28.54

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

Notes: Issued Taxable Revenue Bonds May 17, 2017 for \$21,195,000 to finance renewable energy project
Issued Revenue Bonds December 3, 2019 for \$12,179,000 to finance plant rehabilitation
Issued Combined Utility Bonds December 21, 2021 for \$10,000,000 to finance plant rehabilitation
Bond payments are semi-annual and due every June 1st and December 1st

DAVIS COUNTY

**STATISTICAL SCHEDULE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Schedule 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Personal Income</u>	<u>Per Capita Personal Income*</u>	<u>Unemployment Rate</u>	<u>Total Public School Enrollment</u>
2023	369,948	3,278	1,957	n/a	n/a	2.6%	70,703
2022	367,285	2,858	1,982	21,356,520,895	58,147	2.4%	71,564
2021	362,679	4,960	2,339	18,805,631,508	51,852	2.2%	72,540
2020	359,925	4,827	2,201	18,464,152,500	51,300	4.1%	70,643
2019	355,481	5,075	1,840	17,213,456,463	48,423	2.4%	72,897
2018	351,713	5,282	1,892	16,279,387,918	46,286	2.9%	72,264
2017	347,637	5,473	1,826	15,332,877,522	44,106	3.1%	71,908
2016	342,281	5,687	1,762	14,149,554,259	41,339	3.3%	71,021
2015	336,043	5,870	1,710	13,441,720,000	40,000	3.3%	69,879
2014	329,692	5,772	1,684	12,782,158,840	38,770	3.6%	69,139

Source: Utah Department of Workforce Services, Utah Population Estimates Committee, Davis County School District, Davis County Vital Statistics, Bureau of Economic Analysis, Census.gov.

* Note: 2023 per capita personal income, and personal income information was not available at the time this was released.

SOUTH DAVIS SEWER DISTRICT
 Davis County Principle Employers
 Current Year (2023) and Nine Years Ago

Schedule 17

Employer	2023			2014		
	Employees	Rank	Percentage of Total County Employment 190,367	Employees	Rank	Percentage of Total County Employment 146,384
Hill Air Force Base	10,000 - 14,999	1	7.9%	10,000 - 14,999	1	10.2%
Davis County School District	7,000 - 9,999	2	5.3%	7,000 - 9,999	2	6.8%
Northrop Grumman	2,000 - 2,999	3	1.6%	1,000 - 1,999	4	1.4%
Smith's Food & Drug Centers Inc	2,000 - 2,999	4	1.6%	1,000 - 1,999	3	1.4%
Lifetime Products	2,000 - 2,999	5	1.6%	1,000 - 1,999	6	1.4%
Wal-Mart Associates	1,000 - 1,999	6	1.1%	1,000 - 1,999	5	1.4%
Helpside Id, LLC	1,000 - 1,999	7	1.1%	n/a - n/a	n/a	n/a
Lagoon Corporation Inc.	1,000 - 1,999	8	1.1%	1,000 - 1,999	7	n/a
Fedex Ground Pkg Systems Inc	1,000 - 1,999	9	1.1%	n/a - n/a	n/a	n/a
Intermountain Health Care	1,000 - 1,999	10	1.1%	n/a - n/a	n/a	n/a
Davis County	n/a - n/a	n/a	n/a	500 - 999	8	0.7%
Utility Trailer & Manufacturing	n/a - n/a	n/a	n/a	500 - 999	9	
Davis Hospital & Medical Center	n/a - n/a	n/a	n/a	500 - 999	10	0.7%
Totals	28,000 - 43,990		23.5%	23,500 - 37,990		24.0%

Source: Utah Department of Workforce Services

Note: 2023 data was not available at the time this report was issued. Number of employees is based upon an annual average
 ATK Space Systems / Alliant changed to Northrop Grumman

SOUTH DAVIS SEWER DISTRICT
Direct and Overlapping Property Tax
Last Ten Fiscal Years

Schedule 18

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County direct rates										
County Basic Rate	0.001209	0.000797	0.001004	0.001110	0.001143	0.001209	0.001924	0.001703	0.001795	0.001797
General Obligation Debt Service	0.000062	0.000000	0.000063	0.000071	0.000075	0.000062	0.000069	0.000076	0.000110	0.000114
County Assess & Collect	0.000193	0.000129	0.000161	0.000177	0.000182	0.000193	0.000207	0.000224	0.000236	0.000237
State Assess & Collect	0.000009	0.000015	0.000012	0.000012	0.000009	0.000009	0.000010	0.000011	0.000012	0.000013
County Library	0.000349	0.000229	0.000289	0.000319	0.000329	0.000349	0.000376	0.000342	0.000361	0.000361
Flood Control	0.000217	0.000143	0.000180	0.000199	0.000205	0.000217	n/a	n/a	n/a	n/a
Health	0.000226	0.000149	0.000188	0.000208	0.000214	0.000226	n/a	n/a	n/a	n/a
Paramedic	0.000130	0.000000	0.000000	0.000119	0.000123	0.000130	n/a	n/a	n/a	n/a
Total direct rate	0.002395	0.001462	0.001897	0.002215	0.002280	0.002395	0.002586	0.002356	0.002514	0.002522
County school districts' rates										
Davis County School District	0.007800	0.006424	0.007642	0.007670	0.007808	0.007701	0.007575	0.008125	0.008555	0.008259
City Rates										
Bountiful	0.000832	0.000967	0.000789	0.000814	0.000880	0.000832	0.000890	0.000957	0.000946	0.001063
Centerville	0.001608	0.001197	0.001158	0.001192	0.001275	0.001354	0.000116	0.001088	0.001072	0.001141
Clearfield	0.001745	0.001437	0.001437	0.001437	0.001607	0.001745	0.001664	0.001800	0.001800	0.001800
Clinton	0.001925	0.001936	0.001608	0.001660	0.001794	0.001925	0.002082	0.002198	0.002253	0.001831
Farmington	0.001942	0.001607	0.001491	0.001640	0.001765	0.001942	0.002132	0.002226	0.002127	0.002290
Fruit Heights	0.002117	0.001950	0.001950	0.001887	0.002027	0.002117	0.002295	0.002369	0.001863	0.002023
Kaysville	0.001589	0.001663	0.001589	0.001589	0.001589	0.001589	0.001717	0.001782	0.001826	0.000999
Layton	0.001635	0.001593	0.001645	0.001666	0.001521	0.001635	0.001842	0.001928	0.001896	0.002046
North Salt Lake	0.001450	0.001141	0.001233	0.001284	0.001355	0.001450	0.001475	0.001517	0.001541	0.001613
South Weber	0.000815	0.001522	0.001403	0.001441	0.000769	0.000815	0.000881	0.000941	0.000954	0.000993
Special Service Area	0.000962	0.000761	0.000901	0.001037	0.000913	0.000962	0.000980	0.000992	0.001003	0.000968
Sunset	0.001950	0.000858	0.000981	0.001587	0.001766	0.001950	0.002121	0.002290	0.002258	0.002357
Syracuse	0.001573	0.001653	0.001593	0.001512	0.001512	0.001573	0.001573	0.001639	0.001659	0.001787
West Bountiful	0.001566	0.001301	0.001363	0.001315	0.001449	0.001566	0.001684	0.001806	0.001788	0.001946
West Point	0.000945	0.000831	0.000910	0.000917	0.000917	0.000945	0.000984	0.001036	0.001036	0.001111
Woods Cross	0.001003	0.000811	0.000867	0.000891	0.000935	0.001003	0.000848	0.000927	0.000913	0.001007
Overlapping Rates										
Weber Basin Water	0.000174	0.000132	0.000146	0.000153	0.000164	0.000174	0.000187	0.000196	0.000199	0.000210
Mosquito Abatement	0.000107	0.000099	0.000110	0.000112	0.000119	0.000107	0.000116	0.000122	0.000124	0.000103
North Davis Sewer	0.000949	0.000682	0.000769	0.000800	0.000869	0.000949	0.001025	0.001025	0.001025	0.001025
Bountiful Irrigation 1	0.000103	0.000078	0.000086	0.000089	0.000096	0.000103	0.000110	0.000120	0.000120	0.000128
South Davis Water	0.000214	0.000159	0.000183	0.000189	0.000202	0.000214	0.000234	0.000250	0.000246	0.000264
Central Davis Sewer	0.000191	0.000147	0.000161	0.000167	0.000178	0.000191	0.000208	0.000216	0.000217	0.000237
South Davis Sewer	0.000264	0.000296	0.000226	0.000234	0.000245	0.000264	0.000287	0.000303	0.000301	0.000324
Benchland Water	0.000375	0.000280	0.000315	0.000322	0.000346	0.000375	0.000411	0.000433	0.000430	0.000475
Hooper Water	0.000345	0.000246	0.000277	0.000294	0.000312	0.000345	0.000369	0.000387	0.000415	0.000446
Central Weber Sewer	0.000709	0.000503	0.000564	0.000607	0.000649	0.000709	0.000758	0.000802	0.000838	0.000866
South Davis Recreation	0.000279	0.000210	0.000218	0.000242	0.000257	0.000279	0.000306	0.000334	0.000338	0.000374
North Davis Fire	0.001182	0.001540	0.001175	0.001108	0.001205	0.001182	0.001182	0.001301	0.001379	0.001444
South Davis Metro Fire	0.000368	0.000585	0.000317	0.000328	0.000343	0.000368	0.000010	n/a	n/a	n/a

Source: Utah State Tax Commission, Davis County Assessor

SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2023

Schedule 19

1	Bountiful Irrigation District	0.000062
2	Davis County Mosquito Abatement	0.000098
3	Central Davis Sewer District	0.000117
3	South Davis Water District	0.000128
4	Davis County Assess & Collect	0.000131
5	Weber Basin Water	0.000154
5	Hooper Water Improvement	0.000200
6	Benchland Water District	0.000221
7	Davis County Library	0.000234
7	South Davis Sewer District	0.00031
8	North Davis Sewer District	0.000474
9	Woods Cross City	0.000477
9	South Davis Recreation Center	0.000481
10	Central Weber Sewer District	0.000481
11	Davis County	0.000814
11	West Point City	0.001238
12	North Davis Fire District	0.001288
13	State Basic / Charter School Levy	0.001490
13	Davis School District	0.004738
14	Farmington City	0.009509
15	Layton City	0.009709
15	Fruit Heights City	0.009745
16	Kaysville City	0.009768
17	Bountiful City	0.009863
17	North Salt Lake City	0.009994
18	Clinton City	0.010042
19	West Bountiful City	0.010128
19	Centerville City	0.010273
20	Syracuse City	0.010427
21	Sunset City	0.010885
22	Clearfield City	0.010928

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

SOUTH DAVIS SEWER DISTRICT
 Davis County Principle Employers
 Current Year (2023) and Nine Years Ago

Schedule 20

<u>Employer</u>	<u>2023</u>			<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment 175,929</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment 134,583</u>
Hill Air Force Base	10,000 - 14,999	1	8.5%	10,000 - 14,999	1	
Davis County School District	7,000 - 9,999	2	5.7%	7,000 - 9,999	2	7.4%
Wal-mart Associates	3,000 - 3,999	3	2.3%	1,000 - 1,999	3	1.5%
Kroger Group Cooperative	2,000 - 2,999	4	1.7%	1,000 - 1,999	4	1.5%
Lifetime Products	2,000 - 2,999	5	1.7%	1,000 - 1,999	5	1.5%
ATK Space Systems	1,000 - 1,999	6	1.1%	1,000 - 1,999	6	1.5%
Progrexion Teleservices	1,000 - 1,999	7	1.1%	1,000 - 1,999	7	1.5%
Lagoon Inc.	1,000 - 1,999	8	1.1%	1,000 - 1,999	8	1.5%
ATK Launch Systems	1,000 - 1,999	9	1.1%	1,000 - 1,999	9	1.5%
Northrop Grumman	1,000 - 1,999	10	1.1%	1,000 - 1,999		n/a
Utility Trailer & Manufacturing	n/a - n/a		n/a	500 - 999	10	0.7%
Totals	19,000 - 29,991		16.9%	15,500 - 26,990		18.6%

Source: Utah Department of Workforce Services, U.S. Census

Notes: Number of employees is based upon an annual average.

SOUTH DAVIS SEWER DISTRICT
Operator Certification Program (Unaudited)
For the Year Ended December 31, 2023

Schedule 21

Employee	Collection Level	Treatment Level	Maintenance Level	Biosolids Level	Lab Level
1 Bohman, Curtis D.	Grade 4				
2 Bradshaw, Mike C.	Grade 4	Grade 1			
3 Kelson R. Davis		Grade 3			
4 Dlugas, Jason D.	Grade 4	Grade 1			
5 Fleming, Shane E.	Grade 4				
6 Galli, Skyjay T.	Grade 3				
7 Hash, Connad L.	Grade 1				
8 Katter, Brandon M.		Grade 1	Grade 3		
9 King, Corry J.		Grade 4			
10 Larsen, Nathan L.		Grade 1			
11 Marsing, Marty G.	Grade 4				
12 Marsing, Mason D.		Grade 4			
13 Munden, Timothy E.		Grade 4			
14 Myers, Matthew J.	Grade 4	Grade 4		Grade 2	
15 Nemcek, Eric S.		Grade 4			
16 Nemcek, Tyler P.	Grade 1				
17 Perkins, Jeffrey K.		Grade 4			
18 Rice, Brandon S.	Grade 4				
19 Scott, Jacob U.	Grade 4	Grade 4			
20 Smedley, Sterling D.			Grade 1		
21 Trimming, Carl K.	Grade 4				
22 Weimer, Jonathan D.		Grade 2			

Source: District employment records and State of Utah, Division of Water Quality records.

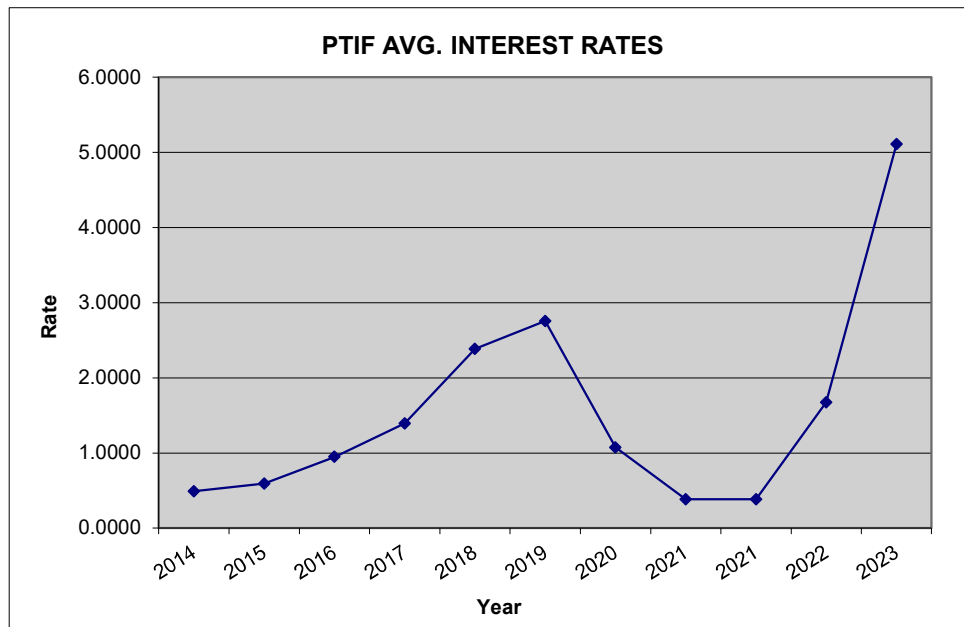
Notes: In accordance with Section 19-5-104 of the Utah Code, wastewater operators, both in collection and treatment systems are to be certified. This certification is regulated by the Division of Water Quality, State of Utah.

SOUTH DAVIS SEWER DISTRICT

Schedule 22

Public Treasurer Investment Fund (PTIF) Interest Rates (Unaudited)
Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2021	2022	2023
Jan	0.5074	0.5073	0.7460	1.1806	1.7291	2.9109	2.2007	0.4678	0.4678	0.3847	4.2771
Feb	0.5070	0.5184	0.7796	1.2007	1.8649	2.9778	2.1034	0.4483	0.4483	0.4676	4.6641
Mar	0.5023	0.5294	0.8224	1.2217	2.0302	2.9971	1.6624	0.4252	0.4252	0.5210	4.8008
Apr	0.4992	0.5475	0.8517	1.2651	2.2008	2.9759	1.4406	0.4217	0.4217	0.6139	5.0063
May	0.4879	0.5559	0.8997	1.2858	2.3517	2.8984	1.1939	0.4029	0.4029	0.7922	5.0620
Jun	0.4799	0.5610	0.9093	1.3431	2.5007	2.8983	0.9480	0.3675	0.3675	1.1090	5.1759
Jul	0.4693	0.5791	0.9429	1.4084	2.5801	2.8663	0.7425	0.3602	0.3602	1.6200	5.1762
Aug	0.4699	0.6098	0.9968	1.4782	2.5836	2.7262	0.5534	0.3283	0.3283	2.1828	5.3014
Sep	0.4767	0.6368	1.0597	1.5280	2.5979	2.6014	0.5300	0.3187	0.3187	2.4449	5.4308
Oct	0.4850	0.6593	1.0982	1.5621	2.6486	2.5360	0.5190	0.3313	0.3313	2.8222	5.4334
Nov	0.5071	0.6824	1.1231	1.6053	2.7387	2.3976	0.5186	0.3415	0.3415	3.3227	5.4874
Dec	0.5077	0.7244	1.1457	1.6340	2.8036	2.2849	0.4895	0.3698	0.3698	3.8006	5.4762
Avg	0.4916	0.5926	0.9479	1.3928	2.3858	2.7559	1.0752	0.3819	0.3819	1.6735	5.1076



Source: Utah State Treasurer's Office (PTIF)

Notes: Interest calculated based on the 365 day rate

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

Schedule 23

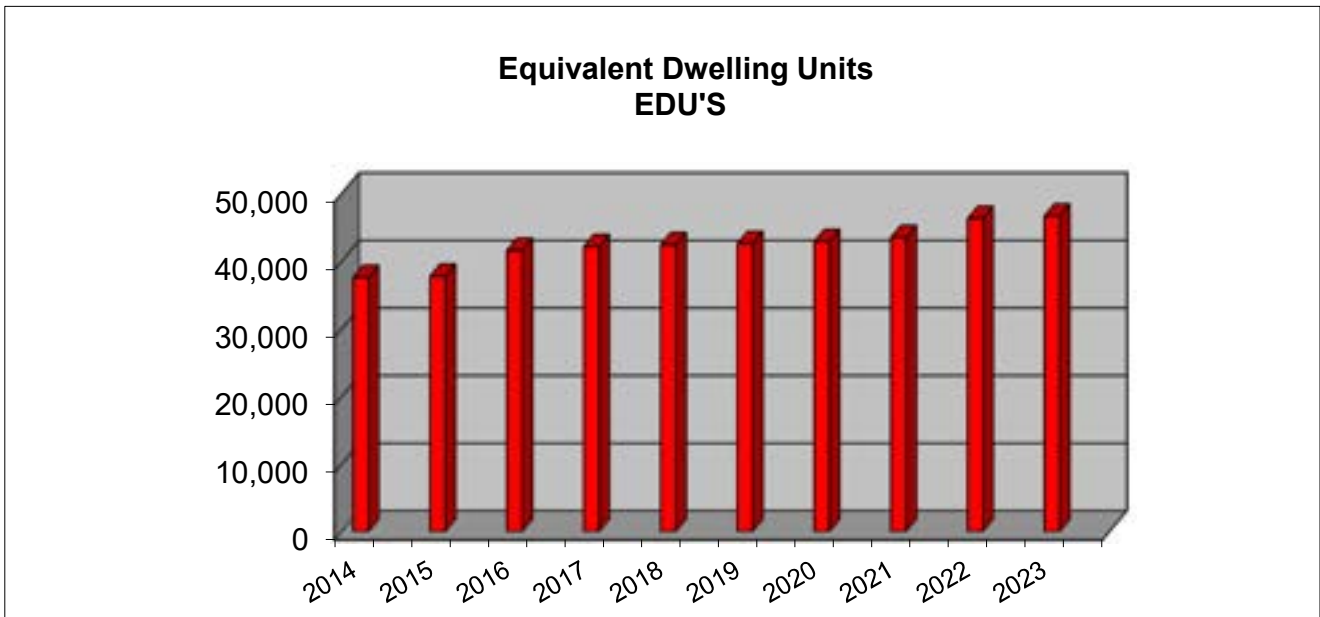
Fiscal Year	Function/Department							Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Research	Resource Recovery	
2014	7	8	2	6	1	1		25
2015	7	8	2	6	1	1		25
2016	7	8	2	6	1	1		25
2017	9	8	2	6	1	1		27
2018	7	7	2	7	1	1		25
2019	8	7	4	6	1	1	8	35
2020	8	8	4	7	1	1	8	37
2021	10	9	4	9	1	1	7	41
2022	7	8	4	8	1	1	8	37
2023	6	9	5	8	1	1	7	37
Average	7.6	8	3.1	6.9	1	1	7.6	31.4

Source: District employment records

Notes: Full time employees are scheduled to work 2,080 hours per year (Including vacation, and sick leave).
 2017, two treatment plant operators were hired for the ABNR project
 2018 one employee was transferred from Collection System to Engineering (EIT)
 2019 Wasatch Resource Recovery became operational
 2020 added one employee to accounting department

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

2014	37,587
2015	37,762
2016	41,589
2017	42,136
2018	42,410
2019	42,588
2020	42,878
2021	43,491
2022	46,296
2023	46,660



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 94,900 gallons of water allowed annually.
 The District has approximately 28,565 customer accounts as of 12/31/23

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Summary (Unaudited)
For the Year Ended December 31, 2023

Schedule 25

HISTORICAL COST

ACCUMULATED DEPRECIATION

Acct #	Description	HISTORICAL COST					Balances 12/31/23	Acct #	ACCUMULATED DEPRECIATION				Balances 12/31/23	
		Balances 12/31/22	Additions	Disposals	Transfers	Adjust			Balances 12/31/22	Depreciation Expense	Asset Deposal	Transfers		
182000	0.01 Building & Facilities	\$ 2,710,250					\$ 2,710,250	182100	0.01	\$ (104,813.66)				\$ (104,813.66)
182000	0.02 Building & Facilities	21,597,044					21,597,044	182100	0.02	(8,695,420)				(8,695,420)
182000	0.11 Building & Facilities	22,231,175					22,231,175	182100	0.11	(1,884)				(1,884)
184000	0.02 Improvements Other Than Bldgs	28,893					28,893	184000	0.02					
184000	0.11 Improvements Other Than Bldgs	6,537,517					6,537,517	186100	0.01					
188000	0.04 Construction in Progress	12,402,936	4,302,757				16,705,693	188000	0.04					
189000	0.01 Outfall/Sewer Lines	48,863,192	1,407,967				50,271,159	189110	0.01	(3,666,415)				(3,666,415)
189000	0.02 Outfall/Sewer Lines	5,748,121					5,748,121	189110	0.02	(1,290,560)				(1,290,560)
189000	0.04 Outfall/Sewer Lines	-					-	189110	0.04					
189200	0.01 Operation & Sup Equip.	719,472					719,472	189210	0.01	(421,878)	(36,130)			(458,008)
189200	0.02 Operation & Sup Equip.	698,072	149,923				847,994	189210	0.02	(428,490)	(48,454)			(476,945)
189200	0.11 Operation & Sup Equip.	6,985,855					6,985,855	189210	0.11	(184,533)				(184,533)
189300	0.01 Tools & Test Equip.	417,340					440,120	189310	0.01	(424,062)	(3,423)			(427,485)
189300	0.02 Tools & Test Equip.	387,698					364,918	189310	0.02	(227,181)	(1,570)			(228,751)
189300	0.03 Tools & Test Equip.	108,736					108,736	189310	0.03	(108,736)				(108,736)
189300	0.05 Tools & Test Equip.	247,531					247,531	189310	0.05	(203,349)				(203,349)
189400	0.01 Mobile Equipment	2,635,240	159,835	(194,089)			2,600,986	189410	0.01	(1,479,750)	(109,599)	83,928		(1,505,420)
189400	0.02 Mobile Equipment	1,427,609	160,690	(37,300)			1,550,999	189410	0.02	(758,839)	(56,588)	24,629		(790,798)
189400	0.03 Mobile Equipment	22,437					22,437	189410	0.03	(22,437)				(22,437)
189500	0.01 Office Furn. & Equip.	388,211					388,211	189510	0.01	(321,357)	(16,272)			(337,629)
189500	0.02 Office Furn. & Equip.	378,130					378,130	189510	0.02	(328,014)	(6,422)			(334,436)
189500	0.03 Office Furn. & Equip.	4,850					4,850	189510	0.03	(4,850)				(4,850)
189600	0.01 Land & Right-Of-Ways	421,633					421,633							
189600	0.02 Land & Right-Of-Ways	2,648,935					2,648,935							
		\$ 137,610,874	\$ 6,181,172	\$ (231,389)	\$ -	\$ -	\$ 143,560,657			\$ (18,672,569)	\$ (278,458)	\$ 108,557	\$ -	\$ (18,842,469)

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
 Net Investment in Capital Assets **Additions** (Unaudited)
 For the Year Ended December 31, 2023

Schedule 26

Asset Description	Tag#	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
CONSTRUCTION WORK IN PROGRESS (188000)					\$ 4,302,757	
SUBTOTAL		\$ -	\$ -	\$ -	\$ 4,302,757	\$ 4,302,757
Deeded Subvisions	3590	\$ 1,407,967				
SUBTOTAL		\$ 1,407,967	\$ -	\$ -	\$ -	\$ 1,407,967
OPERATION & SUPPORT EQUIPMENT (189200)						
Baler for WRR	3592		\$ 19,922			
Belt Press	3591		\$ 130,000			
SUBTOTAL		\$ -	\$ 149,922	\$ -	\$ -	\$ 149,922
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2023 F350-c/s Inspector	3593	\$ 78,056				
2024 F450 Lariat CS - Supervisor Marty	3588	\$ 81,779				
2023 F350 Lariat - Matt	3589		\$ 81,314			
2023 F350 Lariat - TP Supervisor Eric	3594		\$ 79,377			
SUBTOTAL		\$ 159,835	\$ 160,690	\$ -	\$ -	\$ 320,525
GRAND TOTAL		\$ 1,567,802	\$ 310,612	\$ -	\$ 4,302,757	\$ 6,181,171

Source: District capital asset records & accounts payable records

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

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Disposals (Unaudited)
For the Year Ended December 31, 2023

Schedule 27

Asset Description	ID #	Collections (.01)	Plants (.02)	Industrial Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2019 F450 Expedition - Dal's	3560		\$ 57,468			
2021 F450 4X4	3572	\$ 67,949				
2021 F350 4x4	3573	\$ 62,741				
2021 F350 4x4	3574	\$ 63,398				
SUBTOTAL		\$ 194,089	\$ 57,468	\$ -	\$ -	\$ 251,557
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	\$ -
LAND & RIGHT OF WAYS (188600)						
SUBTOTAL		-0-	\$ -	-0-	-0-	-
GRAND TOTAL		\$ 194,089	\$ 57,468	\$ -	\$ -	\$ 251,557

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
 Net Investment in Capital Asset **Transfers** (Unaudited)
 For the Year Ended December 31, 2023

Schedule 28

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	5129				\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL						
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL						
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL						
MOBILE EQUIPMENT (189400)						
SUBTOTAL				-		\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL						
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL						
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
 Net Investment in Capital Assets Construction in Progress (CIP) (Unaudited)
 For the Year Ended December 31, 2023

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)						
South Plant Rehab 906 - Transfer to BS	5713				2,489,935	
South Plant Rehab 905 - Transfer to BS	5714				1,690,965	
SUBTOTAL		\$ -	\$ -	\$ -	4,180,900	4,180,900
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)						
2024 Mack Cab/chassis Jet Washer	3586	121,857				
SUBTOTAL		121,857	-0-	\$ -	-0-	\$ 121,857
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 243,714	\$ -	\$ -	\$ 4,180,900	\$ 4,302,757

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

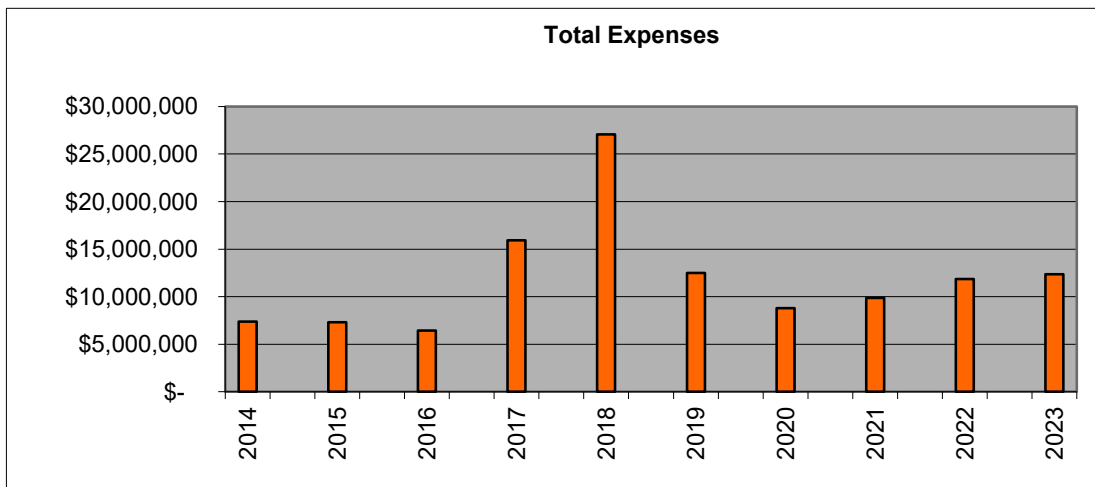
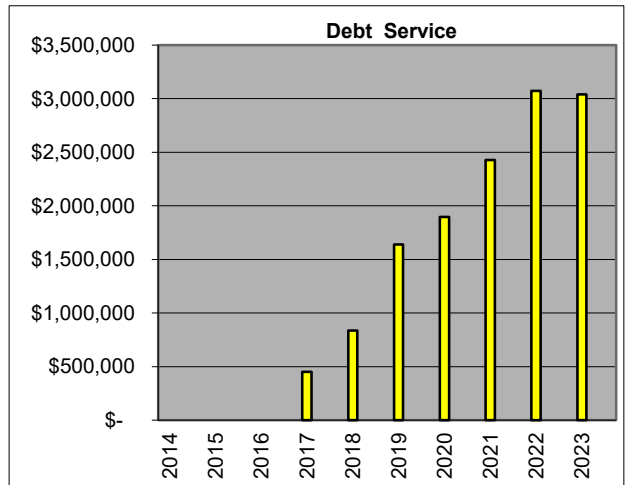
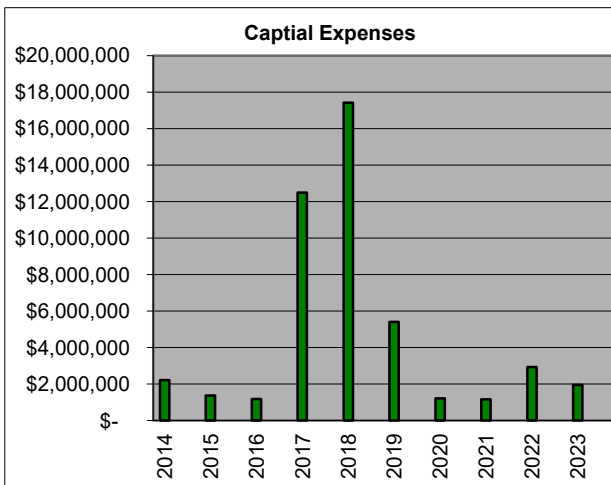
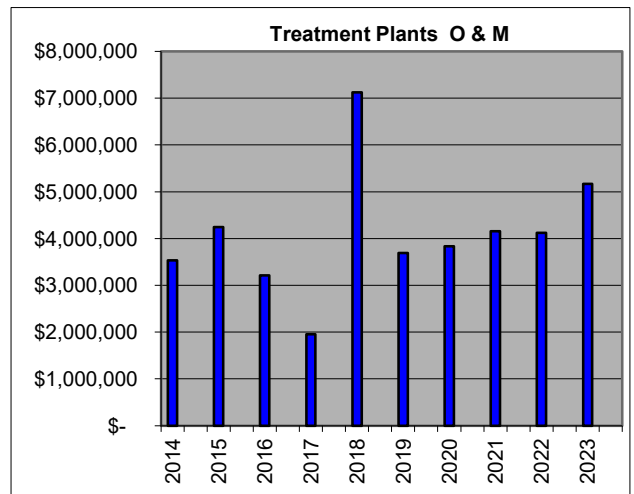
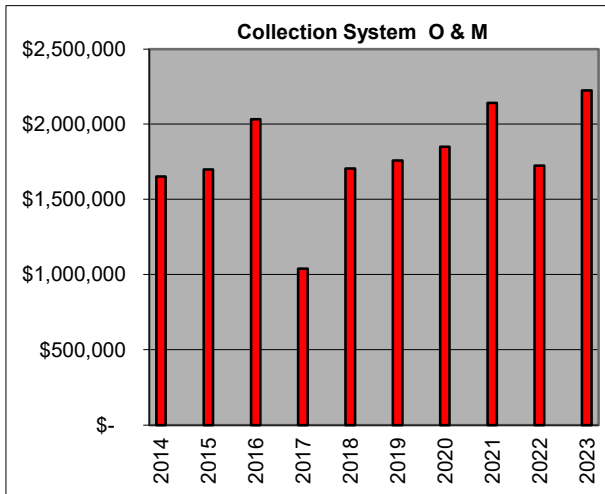
Schedule 30

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
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
2018	\$ 1,703,696	\$ 7,120,946	\$ 17,407,486	\$ 837,173	\$ 27,069,301
2019	\$ 1,758,181	\$ 3,687,189	\$ 5,405,460	\$ 1,637,763	\$ 12,488,593
2020	\$ 1,848,955	\$ 3,834,360	\$ 1,215,753	\$ 1,895,843	\$ 8,794,911
2021	\$ 2,141,413	\$ 4,156,265	\$ 1,158,733	\$ 2,427,529	\$ 9,883,940
2022	\$ 1,723,160	\$ 4,121,295	\$ 2,937,597	\$ 3,040,775	\$ 11,822,827
2023	\$ 2,228,000	\$ 4,750,904	\$ 1,945,384	\$ 3,039,213	\$ 11,963,501

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

Notes: 2017 issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.
2019 issued 20-year revenue bonds (\$12,179,000) for construction of the ABNR project and plant rehabilitation
2021 issued 15-year combined utility revenue bonds (\$10,000,000) for construction and plant rehabilitation
Treatment Plants include Pre-treatment, OU2 facility and WFWQC expenses
Total expenses excludes depreciation expense and G&A expenses

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



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

COMPLIANCE SECTION



SOUTH DAVIS SEWER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2023

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Beginning Receivable (Unearned)	Receipts	Expenditures	Ending Receivable (Unearned)
U.S. DEPARTMENT OF THE TREASURY:						
Passed through Davis County:						
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GS8LJ74VKNK6	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
TOTAL U.S. DEPARTMENT OF THE TREASURY AND FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

SOUTH DAVIS SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS FOR PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of South Davis Sewer District (the District) under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE C – SUBRECIPIENTS OF FEDERAL AWARDS

The District did not provide federal award funding to any subrecipients during the year ended December 31, 2023.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
South Davis Sewer District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned cost. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Squire & Company, PC

Orem, Utah
June 28, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Board of Education
South Davis Sewer District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited South Davis Sewer District (the District)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Squize & Company, PC

Orem, Utah
June 28, 2024

SOUTH DAVIS SEWER DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2023

2022-001	Audit Adjustments
<i>Current status</i>	Repeated as 2023-001

SOUTH DAVIS SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified	No
Significant deficiency identified	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of Major Federal Programs

Name of Federal Program (Assistance Listing Number)

Coronavirus State and Local Fiscal Recover (21.027)

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Some of the objectives of internal control are to provide reliable, timely financial reports and to safeguard assets.

Certain balance sheet accounts had not been reconciled with supporting documents at year end. As a result, numerous adjustments to correct the balances were required. Adjustments were necessary in a variety of areas including accounts receivable, investment in WRR, LLC, capital assets, accounts payable/accrued expenses, long-term debt, net position balances, revenues, and expenditures/expenses.

Recommendation – We recommend the District identify procedures to ensure the balances reported are consistent with accounting principles generally accepted in the United States of America. These procedures should include preparing detailed reconciliations of all material accounts and then performing a review of the final trial balance to ensure that all significant journal entries are posted.

SOUTH DAVIS SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Views of responsible officials – Management has considered these matters. Some processes have already been implemented and management will continue to monitor to ensure cash accounts are properly reconciled each month and other balance sheet accounts as needed but at least annually.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Education
South Davis Sewer District

Report on Compliance

Opinion on Compliance

We have audited South Davis Sewer District's (the District) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2023:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Public Treasurer's Bond
- Open and Public Meetings Act

In our opinion, South Davis Sewer District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2023.

Basis for Opinion on Compliance

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. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over 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.

Squire & Company, PC

Orem, Utah
June 28, 2024