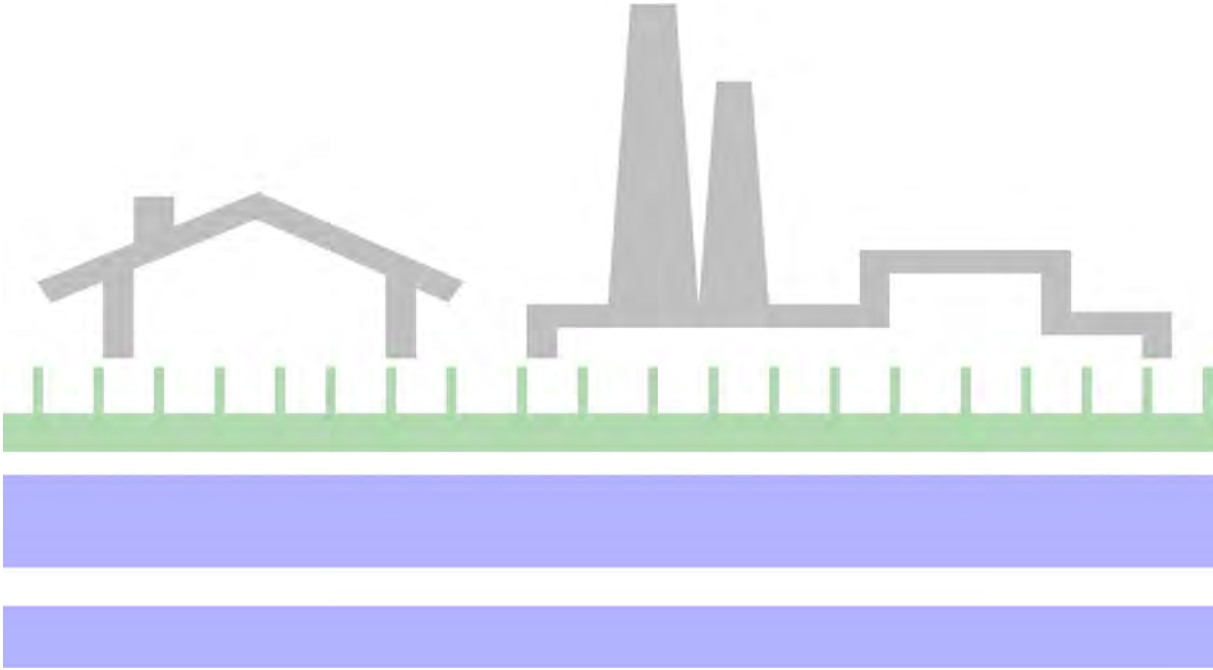


**SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah**

Comprehensive Annual Financial Report
For the Fiscal Years Ending December 31, 2018 and 2017



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful, Utah



Comprehensive Annual Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Years Ending December 31, 2018 and 2017

Office Location: 1800 West 1200 North
West Bountiful, UT 84087-2501
801-295-3469

Mailing Address: PO Box 140111
Salt Lake City, UT 84114-0111



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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2018 and 2017

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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2018 and 2017

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INTRODUCTORY SECTION





South Davis Sewer District

Mailing Address:
PO Box 140111 • Salt Lake City, Utah 84114-0111

Office Location:
1800 West 1200 North • West Bountiful, Utah 84087

Phone (801) 295-3469 • Fax (801) 295-3486

June 20, 2019

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

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified accountants. The South Davis Sewer District (District) hereby submits this Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018, in compliance with these requirements.

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

Karren, Hendrix, Stagg, Allen, and Company, P.L.L.C., a firm of licensed, certified public accountants has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended, December 31, 2018, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended December 31, 2018, fairly represent conformity with GAAP.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A. Please read the transmittal letter in conjunction with the MD&A.

The CAFR consists of four main sections:

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

Background

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

The District began construction of the North Plant at 1800 West 1200 North in West Bountiful in December 1960 and completed its construction in August 1962. The District began construction of the South Plant located at 1380 West Center Street in North Salt Lake in June 1961 and completed its construction in October 1962. The District constructed collection systems in Centerville, North Salt Lake, West Bountiful, and Woods Cross and trunk lines connecting all five collection systems in the District to the two treatment plants. The District owned and operated the collection system for all areas except for Bountiful City, which retained ownership of the existing lines in their city. On January 1, 2004, Bountiful City transferred ownership of their system to the District. The District's collection system now consists of 372.05 miles of sewer, 4 miles of force main and 8,650 manholes.

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

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

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

Compliance with the recent changes in discharge permit limits for phosphorus and nitrogen require significant upgrading of our treatment processes. It has been 27 years and 24 years since the South Plant and the North Plant respectively were expanded and rehabilitated. We have been waiting for the nutrient removal requirement issue to be better defined. Now that nutrient removal requirements have been adopted, the District is proceeding with plant upgrades and rehabilitation to meet these new requirements. Total cost is on the order of \$50,000,000.

Over the last several years inquiries have been made by property owners and developers as to the District's ability and willingness to provide services outside the existing District boundary to the west of our South Plant, across the Jordan River in Salt Lake County. There are over 1,000 acres that might more economically sewer to the District rather than Salt Lake City. North Salt Lake City has been asked to consider annexing some of this area. The District does not have any existing capacity to serve this area. New capacity would have to be built. This is complicated by the new requirements

to provide nutrient removal. How this capacity would be created, and its cost requires a significant engineering study.

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

Governance

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

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

The 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. On-line 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 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.

Reserves

Cash Reserves for the Period Ending 12/31/18	
Zions A/P Checking	\$ 173,378.32
Zions P/R Checking	\$ 108,959.21
Zions ACH Checking	\$ 22,890.32
Zions Money Market	\$ 160,566.11
Zions WRR Checking	\$ 56,663.00
PTIF (Outflow)	\$ 208,103.50
PTIF (Inflow)	\$ 1,567,492.15
PTIF (Project Reserve)	\$ 2,065,347.88
PTIF - Operating (1/2 Bond Proceeds)	\$ 465,662.07
Moreton Asset Advisors	\$ 4,118,530.76
Total	\$ 8,947,593.32

Debt for the Period Ending 12/31/18		
2017 Revenue Bonds (Par Value)		\$ 21,195,000.00
Issue Discount	\$	(94,363.55)
Underwriters Discount	\$	(370,912.50)
Net Proceeds After Discounts		\$ 20,729,723.95
*Issuance Costs (Less E3)	\$	(483,101.41)
Operating Account Deposit	\$	(500,000.00)
Equity Contribution	\$	862,902.51
Net Proceeds		\$ 20,609,525.05
Construction Draws (20)	\$	(17,882,807.26)
Interest Income	\$	207,860.17
Carrying Value 12/31/18		\$ 2,934,577.96
TOTAL RESERVES	\$	11,882,171.28

Long Term Financial Planning

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

Rates

The District had not raised user fees since 1988 when they were raised from \$2 to \$5 per month per residence and residential equivalent. Bonding requirements for partial funding of the nutrient removal project discussed later in the CAFR require debt service coverage of 125% of the annual debt service, operations and maintenance cost of the project. District sewer rates were inadequate to meet this requirement and necessitated a rate increase.

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

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

In early 2018 the District scheduled a public hearing and published the required public notices to propose this increase. In addition, the Board sought further transparency by requiring that all user accounts be notified by mail of the proposed rate increase. The public response was very supportive the nutrient removal project and of the rate increase. The rate was increased effective July 1, 2018. This was 30-years to the day of the last rate increase.

Since 1988, the District's tax rate has decreased 74% from 0.000940 to 0.000245 for 2018. The median house value is currently \$250,000 and would pay an annual tax of \$33.69 (at an assessed valuation of 55%). This is a total sewer user cost of \$12.80 per month. This is still the absolute lowest sewer rate in the State of Utah and ranks in the bottom 3% of sewer rates nationwide. This rate is one third of the Wasatch Front average.

Current rates and financing only support capital costs of nutrient removal and rehabilitation projects at the South Plant. Nutrient removal and rehabilitation projects at the North Plant will require bond financing. Debt service requirements along with new operating costs and new maintenance costs as well as increased costs due to increasing flows and inflation may require additional rates increases. Tipping fees and energy sales from the Wasatch Resource Recovery project and algae sales from the nutrient removal project are expected to make a significant contribution toward these costs.

Impact Fees

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

Bonding

The construction of the Wasatch Resource Recovery (WRR) project discussed below is a Public Private Partnership. 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 approximate annual debt service is \$1,650,000.

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

The Advanced Biological Nutrient Removal (ABNR) project and the rehabilitation project at the South Plant are funded by District reserves and \$26,351,000 in bond financing from the Utah Division of Water Quality (UDWQ) State Revolving Loan Fund (SRF). The SRF bond has an interest rate of 1.5%.

Current Major Activities - Accounting

Comprehensive Annual Financial Report (CAFR)

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

Governmental Accounting Standards Board

GASB Mission

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

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

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

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

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

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

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

New GASB Pronouncements:

GASBS No. 83 Certain Asset Retirement Obligations

This statement is effective for periods beginning after June 15, 2018.

The District will put into effect beginning fiscal year 2019

GASBS No. 84 Fiduciary Activities

This statement is effective for periods beginning after December 15, 2018.

The District will put into effect beginning fiscal year 2019.

GASB No. 85 Omnibus

This statement is effective for periods beginning after June 30, 2018

The District will put into effect beginning fiscal year 2018. There were no material changes to the 2018 financial statements relating to this statement.

GASB No. 86 Certain Debt Extinguishment Issues

This statement is effective for periods beginning after June 30, 2018.

The District put this statement into effect beginning fiscal year 2018. The District had no circumstances in fiscal year 2018 that would affect the 2018 financial statements.

GASB No. 87 Leases

This statement is effective for periods beginning after December 15, 2019.

The District will put this statement into effect beginning fiscal year 2020.

GASB No. 88 Certain Disclosures Related to Debt

This statement is effective for periods beginning after June 15, 2019.

The District will put this statement into effect beginning fiscal year 2020.

GASB No. 89 Accounting for Interest Cost Incurred Before the End of a Construction Period

This statement is effective for periods beginning after December 15, 2019.

The District will put this statement into effect beginning fiscal year 2020.

GASB No. 90 Majority Equity Interests-An Amendment of GASBS No. 14 and No. 15

This statement is effective for periods beginning after December 15, 2018.

The District will put this statement into effect beginning fiscal year 2019.

Local Economy

Construction & Development

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

The District again saw a significant drop in the number and value of residential units, which decreased 19.5% and 20.1% respectively from 2017 to 2018. This continues a trend from the previous three years where the number and value of residential construction decreased significantly. The decreases in the last three years are probably more of a reflection on the decreasing space available for development rather than influences from the overall economy.

The District is seeing more, large apartment projects than in the past. In addition, there are numerous projects where older single-family residences and lots are converted to duplexes, fourplexes and other multi-family housing. These increases in housing density could affect planning for the collection system and treatment plants.

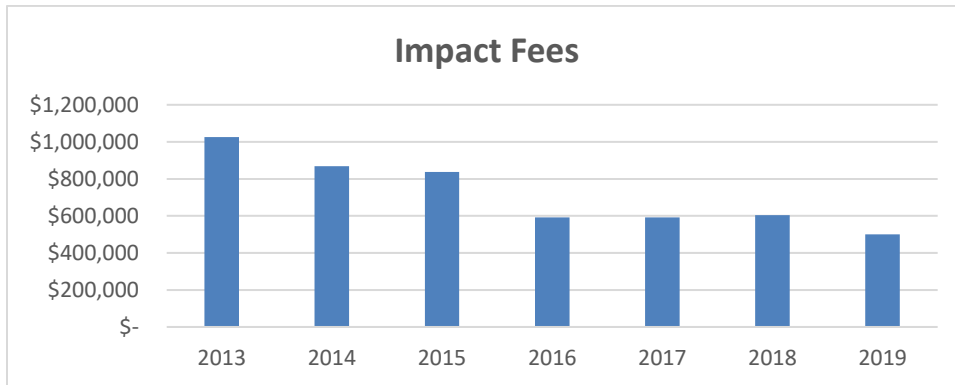
The following table summarizes construction activity in the District for 2018:

City	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2018	2017	% change	2018	2017	% change	2018	2017	% change
	Units	Units	2015-16	\$1,000	\$1,000	2015-16	\$1,000	\$1,000	2015-16
Bountiful	\$ 103	\$ 51	-102.0%	\$ 24,168	\$ 12,322	-96.1%	\$ 7,670	\$ 16,425	53.3%
Centerville	\$ 125	\$ 34	-267.6%	\$ 5,685	\$ 21,059	73.0%	\$ 18,648	\$ 1,679	-1010.7%
North Salt Lake	\$ 71	\$ 144	50.7%	\$ 25,453	\$ 18,545	-37.2%	\$ 9,872	\$ 13,574	27.3%
West Bountiful	\$ 10	\$ 31	67.7%	\$ 8,859	\$ 2,325	-281.0%	\$ 608	\$ 466	-30.5%
Woods Cross	\$ 4	\$ 2	-100.0%	\$ 1,723	\$ 605	-184.8%	\$ 5,676	\$ 5,066	-12.0%
Totals	\$ 313	\$ 262	-19.5%	\$ 65,888	\$ 54,856	-20.1%	\$ 42,474	\$ 37,210	-14.1%
Additions & Repairs									
City	Residential			Nonresidential			Total Construction Value		
	2018	2017	% change	2018	2017	% change	2018	2017	% change
	\$1,000	Units	% change	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change
Bountiful	\$ 2,826	\$ 2,616	-8.0%	\$ 7,492	\$ 23,079	67.5%	\$ 42,153	\$ 54,442	22.6%
Centerville	\$ 1,882	\$ 1,064	-76.9%	\$ 4,381	\$ 2,547	73.0%	\$ 29,896	\$ 26,349	-13.5%
North Salt Lake	\$ 1,172	\$ 1,427	17.9%	\$ 3,174	\$ 9,351	-37.2%	\$ 39,670	\$ 42,897	7.5%
West Bountiful	\$ 597	\$ 107	-457.9%	\$ 5	\$ 464	-281.0%	\$ 10,068	\$ 3,362	-199.5%
Woods Cross	\$ 6	\$ 1,322	99.5%	\$ -	\$ 4,192	-184.8%	\$ 7,405	\$ 11,186	33.8%
Totals	\$ 6,483	\$ 6,536	0.8%	\$ 15,052	\$ 39,633	-20.1%	\$ 129,192	\$ 138,236	6.5%

(Data from Kem C. Gardner Policy Institute)

Impact Fees

Impact fees for 2015 were \$4,573,785. This unusually large amount was due to a \$3,700,000 impact fee for expansion at the Holly refinery. The balance of the 2015 impact fee of \$873,785 is nearly the same as that for 2014. Impact fees were \$592,321 in 2016. This was a decrease of 32% (adjusted for the large Holly impact fee in 2015). Impact fees were \$591,469 in 2017. Impact fees in 2018 were \$604,760. We have expected annual impact fees to continue to decline due to the declining availability of land for development.



Total nonresidential construction in the District declined by 14.1 from 2017 to 2018. This follows steady and significant decreases in the years since 2008. The years 2008 through 2012 were certainly a reflection of the overall economic slowdown. Current decreases are likely due to the very limited amount of undeveloped industrial property remaining in the District. Nonresidential construction does not significantly affect District revenue or operations. The number of large apartment complexes, however, has been an important factor in the level of impact fees collected in recent years. Apartments continue to be an important factor in 2018-19. If the trend in the construction of large apartment complexes and other high-density projects continues, we will need to monitor treatment plant capacity. We may also have to monitor sewer trunk line capacities in specific areas.

Employment

Since 2010, Utah's job growth has remained well above the U.S. average. The average growth rate from 2011 through 2016 has been a little over 3.0%. Utah's job growth was 2.9% between November 2017 and November 2018. It was 3.0% between April 2018 and April 2019. The unemployment rate for Utah was 3.1% in April 2018. It was 2.9% in April of 2019.

Unemployment levels are expected to remain low for 2019. Most industries will face a tight labor market. In-migration and a full educational pipeline will help to mitigate any labor shortages. Labor force participation for Utah has averaged 69.4% for the last 35 years, immediately before the recession it was 72%. During the recession labor force participation dropped to a low of 67.2%. Utah has the fifth highest labor participation rate in the nation.

Utah's personal income increased by 5.9% in 2018 to an estimated \$143 billion. Utah's per capita annual income grew 4.4% to reach \$45,340 in 2018 according to the U.S. Department of Commerce, Bureau of Economic Analysis.

Current Economic Conditions

The Kem C. Gardner Policy Institute, "predicts moderating—but still healthy—job and wage growth, and low unemployment. Internal risks to the Utah economy include the supply of workers, increasing interest rates, housing affordability, and air quality. The nation is entering a late business cycle which may also present challenges. Demographic advantages, an appealing business climate, and

increasing labor force participation will continue to be an advantage for the economy. All going well, Utah will once again be one of the top-performing economies in the nation in 2019.”

Current Major Activities – Human Resources

Staffing

The District currently has a full-time staff of 37, an increase of 9 from last year. Current staff consists of:

District Staffing		
Activity	As of	
	12/31/18	Current
Office & Management	5	5
Engineering	2	2
North Plant Operations	3.5	3.5
South Plant Operations	4.5	3.5
Maintenance	3	5
Pretreatment	1	1
Collection System	8	8
Laboratory	0	1
Water Quality Research	1	1
Wasatch Resource Recovery	0	7
TOTAL	28	37

The District has recently added several operators and maintenance personnel. The increase in staff is to support operation and maintenance of the Wasatch Resource Recovery project which is currently in commissioning and start up. This project will require approximately 12 new employees to operate and maintain. The District has the challenge of recruiting another seven employees. Utah is experiencing very low unemployment rates. Salaries are rising and there is stiff competition for good employees.

There will be several employees retiring over the next few years and finding qualified and motivated replacements is likely to be a problem. There is no established pathway leading to employment in the resource recovery industry. One of the key elements in the District's success is the quality of its workforce. The District's compensation is competitive, but we will make a concerted effort to locate and recruit suitable replacements. Salary budgets will be higher in the near term as we hire replacements early enough to be adequately trained before existing employees retire and to staff Wasatch Resource Recovery.

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 “Tier1” 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. This was done for 2018. The Utah Public Employees Health Plan, which is a part of the Utah Retirement Systems, was very competitive with the commercial market and was again selected to be our insurer. By dropping a tier in coverage and reducing the number of providers available in the system, we were able to reduce our renewal premium significantly.

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

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

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

Technology-Based Nutrient Limits

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

The Publicly Owned Treatment Works (POTWs) were supportive of this initiative, in part to be able to proceed with overdue and needed planning and construction of treatment plant upgrades and expansion. Treatment plant designs and construction are intended to provide for 20+ years of service. At that time, the condition and performance of the existing facilities are reviewed along with population and wastewater flow projections and regulatory requirements to determine rehabilitation and expansion needs for the next 20 plus years.

Emerging Constituents of Concern

The presence of pharmaceuticals in the surface waters is an Emerging Constituent of Concern (ECC) for environmentalists, regulators and the wastewater industry. Most medications are incompletely utilized in the body and traces end up in sewage. Outdated medications are often flushed down the

toilet. These residues are not completely removed by conventional wastewater treatment. This practice has been happening as long as there have been medications and sewers. However, the effects of these very low numbers (parts per billion or trillion) have not been widely studied.

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

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

The most recent ECC are Polyfluoroalkyl Substances (PFAS). PFAS include many important chemicals that are used in food packaging and can make things grease- and stain-resistant. They are also used in firefighting foams and in a wide range of manufacturing processes.

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

Utah Point Discharge Elimination System (UPDES) Permit Renewal

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

New UPDES Permits were issued for both plants, effective March 1, 2017. Both permits included the new phosphorus limits. In addition, lower, water quality, based limits for ammonia were reduced at both plants. Meeting these limits requires additional treatment capacity and technology to achieve consistent compliance. Limits for flow were also implemented. The flow limits are the design capacities of the plants. A requirement to study the presence or absence of *early life stages* (ELS) of fish during the spring and fall in the State Canal were incorporated in the North Plant and South Plant permits. The outcome of these studies will impact the final ammonia limits.

The Discharge permits for both treatment plants were reissued, effective September 1, 2018. This was done to adjust the schedule for completing the ELS studies.

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

The Wasatch Front Water Quality Council

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

scientist to assist the group in understanding and responding to the many technical issues and to direct research contracts 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 logistics 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, and total residual chlorine. The plants must also routinely conduct and pass Whole Effluent Toxicity (WET) testing. This is a biological test involving very sensitive sentinel species to detect any toxicity in the treatment plant effluent.

Violation of these permit limits can result in 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

In February and December, the North Plant exceeded its permit limit for ammonia. These exceedences did not put the North Plant in Significant Non-Compliance (SNC). Nitrification process specialists were consulted. Operational issues were reviewed, and some changes made which may have helped return the plant to compliance more quickly.

The North Plant failed its 3rd quarter biomonitoring test. There were several problems at the lab and with sample delivery. Follow up testing was immediately initiated. The follow up test passed, and we returned to normal quarterly testing.

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

South Plant

In February and March, the South Plant slightly exceeded its flow limit with flows of 4.2 mgd and 4.1 mgd respectively. These exceedences were not significant noncompliance.

There were no biomonitoring exceedences.

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

Current Major Activities - Treatment Plants

Resource Recovery

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

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

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

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

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

Wasatch Resource Recovery

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

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

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

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

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

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

During 2016 the District commissioned E3, a consulting firm that specializes in evaluating the feasibility and economics of alternative energy projects, to provide a third-party evaluation of overall project feasibility and economics. Their assignment was to document and opine on all aspects of the project that would be required to support a bond rating for sale of bonds to finance the project. The District made the decision to proceed with the Project and began the process of procuring bond financing.

On March 6, 2017 the District entered into a Public Private Partnership (P3) with ALPRO to execute the project. This is a 50/50 equity partnership with each entity equally responsible for equity contributions, debt financing, operational costs and maintenance costs. ALPRO is responsible for the outside-the-fence operations of feedstock procurement, customer service, permits, biosolids marketing and delivery and energy sales. The District is responsible for the operation and maintenance of the waste receiving, anaerobic digestion, RNG scrubbing and solids processing facilities. The project is expected produce a significant net revenue for the District.

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

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

This is a large and complex project on a very small site. The current high level of economic and construction activity in the U.S. and locally has made labor scarce and expensive. Construction materials, particularly steel, have gone up significantly in cost.

Despite these challenges, construction has proceeded smoothly, but slowly. The quality of construction is outstanding. WRR has been receiving food waste for 10-weeks. We are using biosolids from both the North and South Plants to seed the digesters. The last hurdle is to complete the gas scrubbing facilities and conduct the Dominion Energy qualification tests. We expect to be commercially operational and delivery renewable natural gas by the first of September.

The total contract amount of the project is \$42,712,014.00. We have had change orders in the amount of \$1,035,860.35 We expect another \$1,000,000.00 in change orders to complete the project. This is less than 5% in change orders which is average for a project of this uniqueness and complexity.

Nutrient Removal Project

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

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

industrial chemicals. Revenue from the algae produced is expected to cover capital, operation and maintenance costs.

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

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

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

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

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

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

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

At this point the pilot plant demonstrated a significant problem. Monitoring of algae production, phosphorus removal and nitrogen uptake showed that the process was producing about 50% of the algae production and phosphorus removal anticipated. This is insufficient to meet treatment needs or economic performance.

Exhaustive testing with the pilot plant found that the problem was not with the equipment or process variables such as detention times, dissolved oxygen levels, lighting, temperature, micronutrients, shading etc. A second pilot plant was erected at the District's North Plant where it functioned perfectly during several different trials. North Plant effluent was trucked to the South Plant pilot plant for 30-days. The pilot plant ran perfectly. We reached the conclusion that the problem was biological, and the South Plant effluent is toxic to the algae.

Extensive biological testing has confirmed that the South Plant effluent is toxic. There are significant differences between the North Plant and South Plant effluents. The South Plant effluent is higher in hardness, total dissolved solids, arsenic and fluoride among others. We are working with Dr. Jeremy S. Guest of the University of Illinois at Urbana-Champaign and Dr. Rami Naddy at TRE Environmental Strategies, LLC. At the present we believe the toxicity to be a metal, most likely zinc.

We are currently reviewing options to move the ABNR project to the North Plant. Initial evaluations show that we can remove enough phosphorus at the North Plant to meet permit requirements for both plants through nutrient trading. Planning, preliminary designs and cost estimates are being prepared to implement this change.

North Plant

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

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

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

South Plant

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

The ABNR project and the WRR project will occupy the site of the biosolids drying beds. To allow for this the District procured a belt, filter press used for dewatering biosolids. District forces installed this equipment with all necessary pumps, piping, wiring and appurtenances. A local contractor erected a small, steel building to house this equipment. This was done out of current operating and maintenance funds. An arc flash evaluation of all electrical gear and panels was also completed at the South Plant. All required and recommend actions were taken. These included labeling all panels with arc flash criteria, marking out safety zones and correcting any encroachments on electrical panels such as water lines placed too close to a panel.

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

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

Biosolids

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

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

Long-term biosolids options continue to be a concern for all POTWs in the area. Historically, the District has beneficially used its biosolids as a soil amendment in local agricultural operations. Early in 2018 the District was notified by the property owner that the site where we have beneficially applied biosolids for many years is being developed. We contacted other property owners in the area and found a suitable site and partner. Biosolids for 2018 were applied at this new site. The fall hauling and spreading campaign went very smoothly.

The WRR project will generate more than 25,000 dry tons of biosolids per year. The Plants produce 1,000 dry tons per year. This increased volume of biosolids to be utilized presents challenges, but also creates opportunities. We are working on a contract with our new property owner to utilize all biosolids produced by the WRR project and the District's treatment plants. The proposed property is in a conservation easement which means it is unlikely to develop and we can develop a long-range plan.

Current Major Activities - Collection System

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

Major Activities - Future

Accounting

The District has purchased a full accounting software package from Black Mountain Software. We have begun configuring and populating this software to support the WRR project. The District will have to have an accounting system in place by the end of 2019 to track all WRR costs for labor, equipment, parts, materials, power, chemicals etc. The accounting workload for these operations and maintenance costs for 8 to 12 new employees will be significant. The bond documents require formal accounting and auditing manuals.

Collection System

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

In this process, a tube of polyester felt and/or fiberglass is saturated with epoxy or vinyl ester resins and inserted into the existing pipe. It is inflated with air or water pressure and then cured using hot water or steam. The resulting composite pipe is structurally independent of the original pipe and provides both a very smooth and corrosion resistant product. This process involves less interference with traffic and other activities, is accomplished in a fraction of the time, and is far less expensive than traditional cut-and-cover methods. Over the last 15 years, the District has installed over 40,000 linear feet of CIPP from 8-inches diameter through 27-inches diameter.

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

Treatment Plants

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

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

Safety

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

Year	Collection System	Treatment Plants	WQG	Office	Annual Total
2009	wrist/hand				2
2010		foot	finger	foot	3
2011	hip & shoulder				1
2012	knee				1
2013	leg	foot			2
2014		eye			1
2015					0
2016		laceration & bruise			1
2017		finger & arm	foot		3
2018		abrasions/forearm			1
total	5	6	2	1	15

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

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

Security

The District recently installed surveillance cameras at the South Plant, the North Plant, and the Collection System Operations Facility. Each installation includes three fixed and one pan and tilt camera. All cameras are backed up on a self-contained hard drive that maintains the most recent 30-days of activity. All cameras can be accessed from any workstation in the District. The cameras can also be accessed from an iPhone or iPad. The cameras can be programmed to monitor for movement and provide an alarm when movement is detected.

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

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

Risk Management

For 2018 and 2019 the District's General Liability, Wrongful Acts and Professional Liability insurance is provided by the Philadelphia Indemnity Insurance Company (A++ XV). Travelers Casualty and Surety Company of America (A++ XV) provides Directors and Officers Liability and Employment Practices Liability insurance. The local agent, Olympus Insurance Agency, specializes in insuring local government agencies and provides extensive risk management support including audits, training, and consultation.

Worker's Compensation insurance for 2018 and 2019 is being provided by Utah Worker's Compensation Fund. The District's experience modifier is 0.68, a reflection of the District's good claims history. The District is self-insured for unemployment. The District is also self-insured for vehicle casualty except for our very expensive collection system cleaning trucks and closed-circuit television units, which are insured for casualty.

The District believes in being proactive in providing a safe and healthy workplace for its employees. We provide training in-house and using 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the nineteenth consecutive year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

The following pages present the District's organizational chart, a listing of the District's Board of Trustees, the District's 2018 meeting schedule, a listing of the employees of the District, a copy of our 2017 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

Conclusion

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

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

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

Respectfully submitted,



A handwritten signature in black ink that reads "Dal D. Wayment". The signature is written in a cursive, flowing style.

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



A handwritten signature in black ink that reads "Mark R. Katter". The signature is written in a cursive, flowing style.

Mark R. Katter
Accounting Manager/Clerk



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**South Davis Sewer District
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

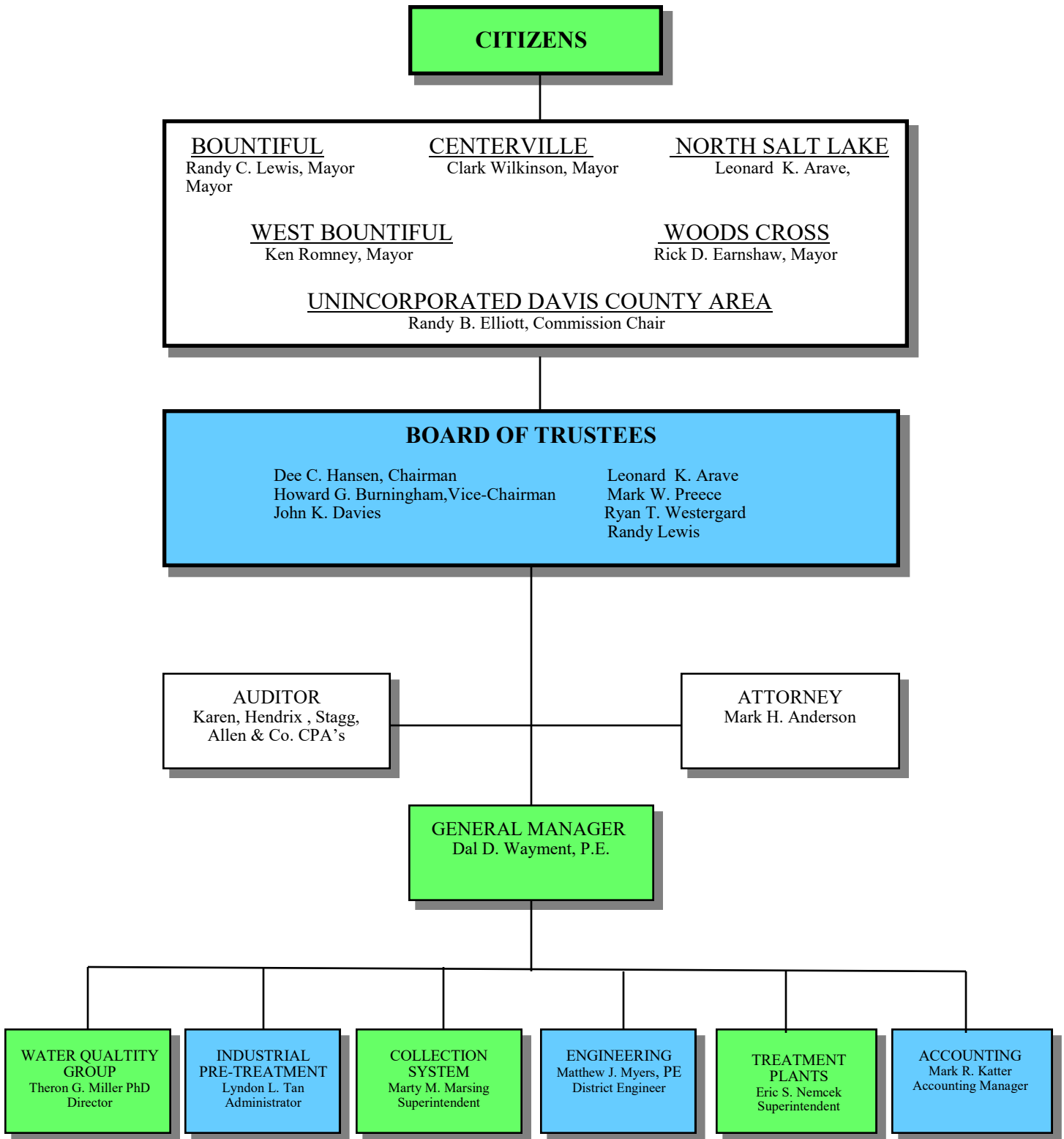
SOUTH DAVIS SEWER DISTRICT AWARDS

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

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

** Water Environment Federation (WEF/National)

SOUTH DAVIS SEWER DISTRICT
 Organizational Chart
 For the Year Ending December 31, 2018



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2018



John K. Davis



Dee C. Hansen



Howard G. Burningham



Ryan T. Westergard



Leonard K. Arave



Mark W. Preece



Randy C. Lewis

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

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
2019 Meeting Schedule
Board of Trustees
December 31, 2018

PUBLIC NOTICE is hereby given that the 2019 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	17th
February	21st
March	21st
April	18th
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
 Full-Time Employees
 For the Year Ending December 31, 2018

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

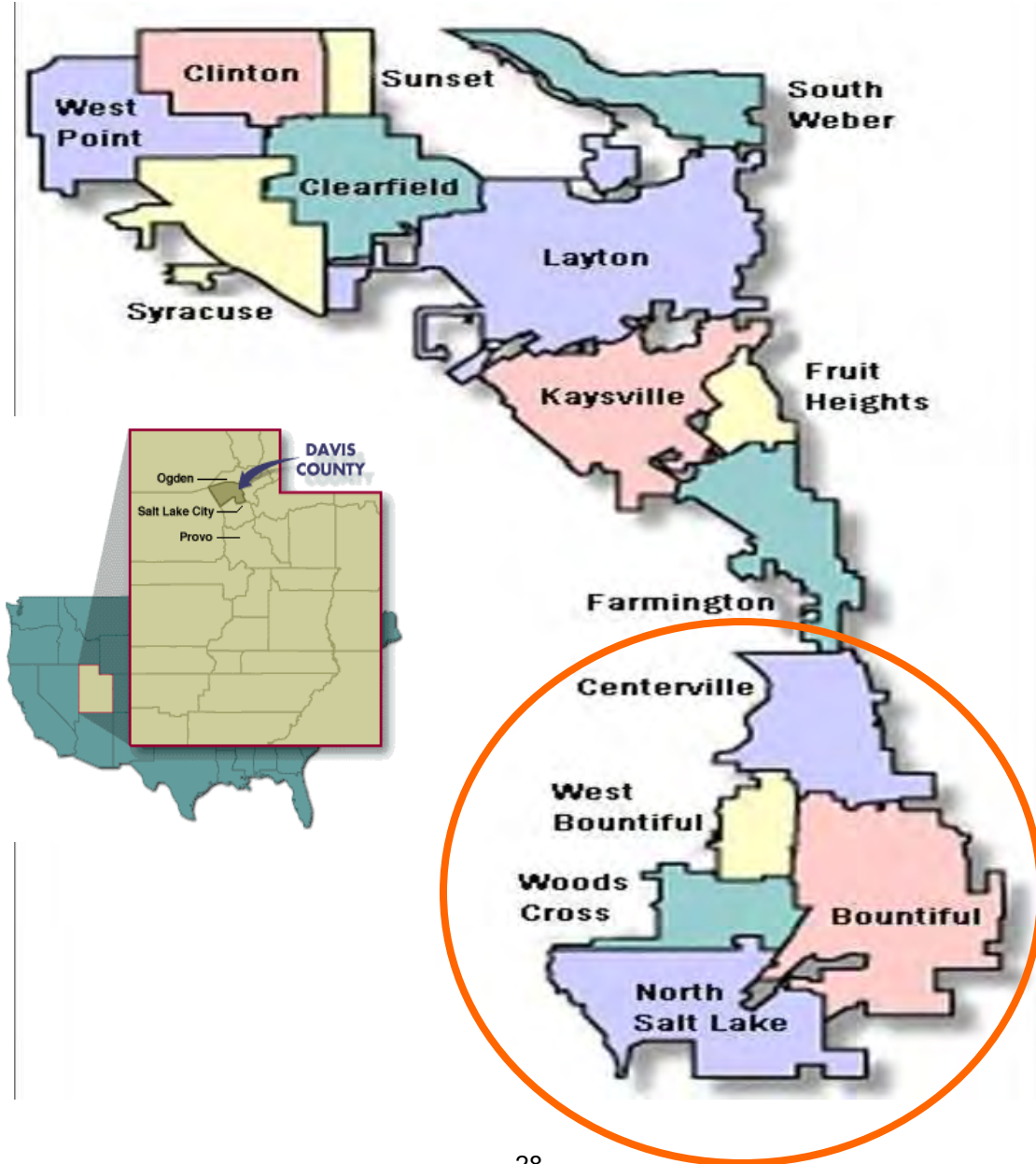
Source: District Personnel Records

SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2018

Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2018)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	17,757	5.99	May 5, 1915
West Bountiful	5,750	2.96	Dec. 31, 1948
Bountiful	44,210	13.22	Dec. 5, 1892
Woods Cross	11,462	3.76	Sep. 4, 1930
North Salt Lake	20,700	8.45	Sep. 3, 1946
Totals	99,879	34.38	

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





SOUTH HAVEN City unsure why the sewer smells

By KRISTIN HAY
H-F Correspondent

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

Stieckland said he will discuss the strategy of putting a non-toxic smoke into the sewer to detect the path of the offensive gas emanating from basement drains.

"Somebody is putting something into the sewer that is creat

Sewer was blocked by large Pooh

Last updated 17 Feb 2014 00:03 GMT



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



COMMON SENSE

Don't trust anyone that lives in a sewer.

SCHREIBER.COM



Administration & Office Staff

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

Collection System Operators

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



Maintenance

Mike Bradshaw & Zane Young



Industrial Pretreatment Administrator

Lyndon Tan

South Treatment Plant Operators

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



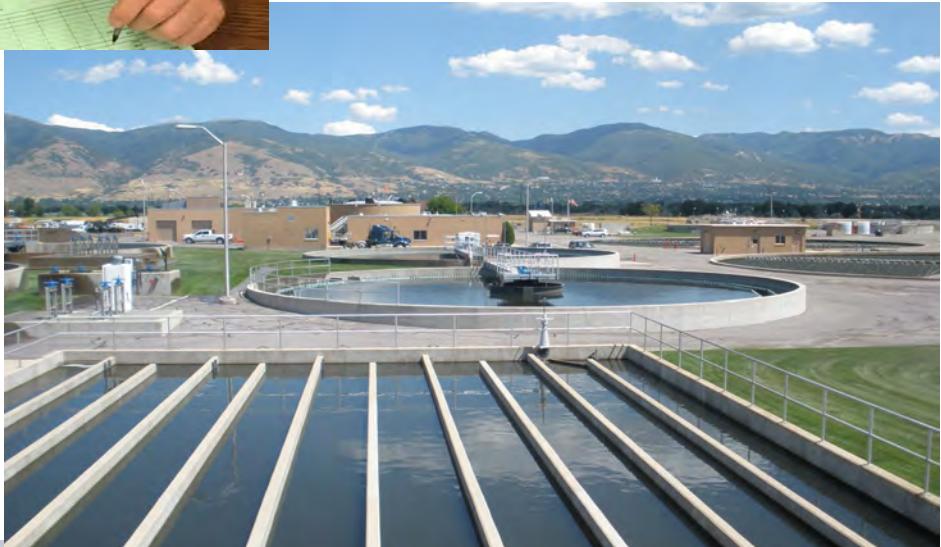
North Plant Treatment Operators

Brent Maxwell & Corry King



Dr. Theron Miller
Research Scientist

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



**Field Trip
North Plant**



North Treatment Plant

North Treatment Plant
Operation Control Panel



Earl Seely
Bio Solids/Operator



State certification exam preparation

Wasatch Resource Recovery & ABNR projects



Fire Extinguisher Training

FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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

Rebecca M. Allred, NCG
Robin W. Bastar, CPA
Lois M. Brandriet, PhD
APRN, GCNS-BC, NCG
Stephen R. Capson, CPA
Douglas G. Carlson, CPA
Scott J. Hanni, CPA
Danny L. Hendrix, CPA
Tim C. Rees, CPA
Jeffrey N. Ririe, CPA
G. John Runia, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Davis Sewer District

Report on the Financial Statements

We have audited the accompanying financial statements of South Davis Sewer District as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Davis Sewer District as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Analysis on pages 37-47, Modified Approach for Eligible Infrastructure Assets on pages 69-73 and Schedule of the Proportionate Share of the Net Pension Liability on pages 74-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 on our consideration of South Davis Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Davis Sewer District's internal control over financial reporting and compliance.



Salt Lake City, Utah
June 20, 2019

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018 and 2017
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the year ended December 31, 2018 and December 31, 2017, with comparative totals for December 31, 2016. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal in the Introductory Section, the Basic Financial Statements and Notes to Financial Statements, and the other information which is presented in the Financial Section and Statistical Section of this *Comprehensive Annual Financial Report* (CAFR).

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2018. Therefore, the net position was \$85,291,384, a 3% increase from 2017. In 2017 and 2016 the District's net position was \$82,473,405 and \$80,552,156 respectively. Net investment in capital assets is 88% of the District's total assets (land, buildings, facilities, sewer lines, and equipment).
- The District's 2018 total net position increased by \$2,817,979 from 2017 and increased \$1,921,249 from 2016 to 2017.
- At the end of fiscal year 2018, the District's unrestricted cash, cash equivalents, and investments reported combined ending balances of \$6,350,946. 2017 and 2016 ending balances were \$10,196,369 and \$18,628,790 respectively.
- In 2017, the District issued 20-year taxable revenue bonds; par value \$21,195,000 to finance the renewable energy project located at the District's south treatment plant facility (Wasatch Resource Recovery). The bonds are a non-current liability in the amount of \$20,783,161 (Net of unamortized discount) at the end of 2018. Two bond interest payments were made in 2018; one in the amount of \$418,952 and another for \$418,292.
- 2018 impact fee revenue was \$604,760 a 2.5% increase from 2017. Impact fee revenue in 2017 was \$589,843 and for 2016, \$592,322. The 2018 impact fee revenue was primarily the result of the following major construction developments: Foxboro Market Place, Chesham Village PUD, Creekside Senior Center, Bristol Village, and Carrington Apartments. You can read more about the District's impact fee revenue in the Supplementary Information Section pages 78 to 82, and page 91 in the Statistical Section.
- Interest income in 2018 came from cash, cash equivalents, investments and bond proceeds totaling \$306,480, a 93% increase from 2016. Interest income in 2017 and 2016 was \$302,862 and \$178,050 respectively, an 89% increase. Interest income increased substantially beginning 2017 as a result of revenue taxable bonds proceeds.
- In 2018, the District had \$11,460,810 of construction work in progress for Wasatch Resource Recovery project (WRR). The WRR project is still in the construction phase and should be operational in the 4th quarter of 2019.
- Operating revenues for 2018 and 2017 were \$4,576,519 and \$3,073,524 respectively, a 49% increase, and \$2,981,204 in 2016 (3% increase from 2016 to 2017). 2018 operating expenses (Less depreciation) increased by 6%, or \$429,433 from 2017. From 2016 to 2017, operating expenses increased by .43% or \$21,361.

Overview of the Financial Statements

This discussion and analysis 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, (5) Required Supplementary Information, and (6) Other Supplementary Information in addition to the basic financial statements themselves.

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

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

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

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

The Notes to Financial Statements provide additional information that is 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 and non-required supplementary information of the District. **The Required Supplementary Information** and the **Other Supplementary Information** are in the **Financial Section** of this report.

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

Financial Analysis of the District

The District's net position may serve over time as a useful indicator of a government's financial position. In the case of the South Davis Sewer District, Net position at the end of fiscal year 2018 was \$85,291,384 (3% increase from 2017) and \$82,473,405 at the end of the fiscal year 2017, and \$80,552,156 at the end of the fiscal year 2016.

The largest portion of the District's net position reflects its net investment in capital assets less any related debt (88% in 2018, 74% in 2017, and 76% in 2016) less 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 2018, in the form of 20-year taxable revenue bonds to finance the Districts renewal energy project (WRR). The par value of these bonds is \$21,195,000 and the non-current liability is \$20,783,161 (Net unamortized discount), and the carrying value at the end of FY 2018 is \$2,934,578.

In 2018 the District's operating revenues of \$4,700,558 increased from \$3,197,238 (2017) by 49%. Operating revenue in 2016 was \$2,981,204. The increase in operating revenue was mainly the result of a rate increase that was implemented in July 2017. Operating expenses were \$7,120,946 (less depreciation) a 1% increase from 2017 (\$6,691,513). 2016 operating expenses (Less depreciation) was 7,320,136. 2018 Repairs and maintenance costs were up \$441,079 over 2017, this was the main reason for the increase in operating expenses.

Key factors driving the preceding results include:

- Sewer service revenue for 2018 was \$3,799,780 an increase of 52% compared to fiscal year 2017 (\$2,503,468). This primarily came from continued growth in the new construction of homes and businesses within the District and a rate increase from \$5 per month to \$10 per EDU per month effective July 2017. The District has not increased sewer service rates since 1988 and still has one of the lowest sewer service rates in the State of Utah. See pages 87, 91 and 109 in the Statistical Section and the Notes to the Financial Statements, Note I, page 54 of this report for more information.

- 2018 and 2017 property tax revenue were \$2,483,497 and \$2,102,078 respectfully, an increase of 18%. This was the result of Davis County valuation adjustments on personal property for the refineries located in the District, with a property tax collection rate of 98.7%. See page 89 and 90 in the Statistical Section for more information.
- Contributions to capital revenue was \$897,985 and \$2,325,199 in 2018 and 2017 respectively, a decrease of 61%. In 2016, contributions to capital revenue was \$650,236. Contributions to capital revenue primarily comes from deeded lines to the District from developers and contractors. 2017 contributions were a result of a strong economy and a boom in the construction industry. One development contributed \$1,177,605 in 2017 (Woods Crossing). See page 88 in the Statistical Section of this report for more information.
- Impact fee revenue is a consequence of new building construction and development. These impact fees reflect economic recovery for the construction industry from when the great economic recession of 2008 was in full swing. Impact fee revenue was \$604,760 and \$589,843 in 2018 and 2017 respectively. 2016 impact fee revenue was \$592,322.
- With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No. 34*. Depreciation expense for 2018 and 2017 were \$285,891 and \$323,330 respectively. Depreciation expense for 2016 was \$326,654. The Modified Approach is discussed in greater detail in the Required Supplementary Information section of this report, pages 68 to 72. Also see the Notes to the Financial Statements, section one paragraph Note G on page 54.
- In 2018 and 2017, salaries and benefit expenses increased 3% and 13% respectively, due to a combination of health care increased costs and cost of living increases. Two additional full-time employees were hired in 2018 that also contributed to this increase.
- The 2018 increase in operating expenses was 5% (less depreciation) compared to 2017. This essentially was the result of higher costs from outside services, manhole rehabilitation, lab testing, utilities, chemicals, repairs and maintenance.
- As of December 31, 2018, the District's non-current liabilities outstanding were employee compensated absences of \$560,427 (\$499,008 in 2017), an increase of 12%. This obligation continues to grow because of the District's low employee turnover rate and an aging workforce. On May 17, 2017 the District issued 20-year taxable revenue bonds in the amount of \$21,195,000 (par). This bond liability is \$19,983,161 (Net of unamortized discount) is to finance the WRR renewable energy project. See the Notes to the Financial Statements, page 62, for more information.
- The District had a net pension liability totaling \$928,173, \$1,621,008 and \$1,485,456 for 2018, 2017 and 2016 respectively, the decrease from 2017 to 2018 was 43%. This was due to complying with *GASB Statement No. 68* which was adopted in 2015. The Utah Retirement System's actuaries lowered its assumed rate of return from 7.2% to 6.95% consequently resulting in an adjustment to the net pension liability. The fiduciary net position (funded) for URS was 85.2% in 2018, many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements, pages 63 to 68 and the Required Supplemental Section, pages 74 to 76 for more information.

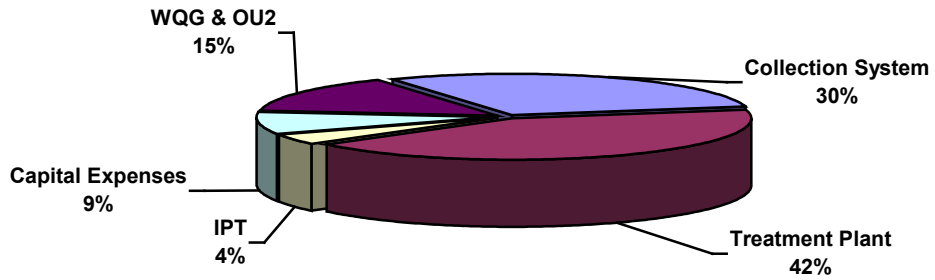
**South Davis Sewer District
Condensed Statements of Net Position
2018-2017**

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current and Other Assets	\$ 7,852,500	\$ 11,575,143	\$ (3,722,643)	-32%
Restricted Assets	5,007,571	16,200,816	(11,193,245)	-69%
Capital Assets	95,253,455	77,520,117	17,733,338	23%
Total Assets	\$ 108,113,526	\$ 105,296,076	\$ 2,817,450	3%
Deferred Outflows of Resources	737,874	1,070,080	\$ (332,206)	-31%
Total Assets & Deferred Outflows of Resources	\$ 108,851,400	\$ 106,366,156	\$ 2,485,244	2%
Current Liabilities	1,520,046	816,681	\$ 703,365	86%
Long-Term Liabilities	21,471,761	22,868,453	\$ (1,396,692)	-6%
Total Liabilities	\$ 22,991,807	\$ 23,685,134	\$ (693,327)	-3%
Deferred Inflows of Resources	568,209	207,617	\$ 360,592	174%
Total Liabilities & Deferred Inflows of Resources	\$ 23,560,016	\$ 23,892,751	\$ (332,735)	-1%
Net Position:			\$ -	
Net Investment in Capital Assets	74,470,294	\$ 56,736,773	\$ 17,733,521	31%
Restricted - Capital	2,942,223	16,200,815	\$ (13,258,592)	-82%
Restricted - Debt Service	2,065,348			
Unrestricted	5,813,519	9,535,817	\$ (3,722,298)	-39%
Total Net Position	\$ 85,291,384	\$ 82,473,405	\$ 2,817,979	3%

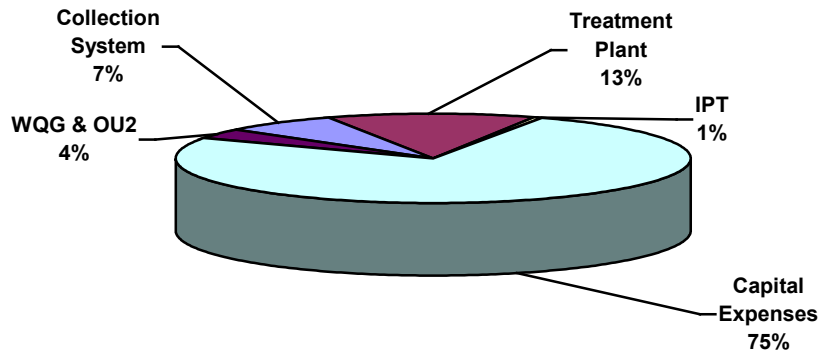
**South Davis Sewer District
Condensed Statements of Net Position
2017-2016**

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current and Other Assets	\$ 11,575,143	\$ 19,629,290	\$ (8,054,147)	-41%
Restricted Assets	16,200,816		\$ 16,200,816	
Capital Assets	77,520,117	62,622,006	14,898,111	24%
Total Assets	\$ 105,296,076	\$ 82,251,296	\$ 23,044,780	28%
Deferred Outflows of Resources	1,070,080	900,460		19%
Total Assets & Deferred Outflows of Resources	\$ 106,366,156	\$ 83,151,756	23,044,780	28%
Current Liabilities	816,681	522,624	294,057	56%
Long-Term Liabilities	22,868,453	1,948,777	20,919,676	1073%
Total Liabilities	\$ 23,685,134	\$ 2,471,401	21,213,733	858%
Deferred Inflows of Resources	207,617	128,199		62%
Total Liabilities and Deferred inflows of Resources	\$ 23,892,751	\$ 2,599,600	\$ 21,213,733	819%
Net Position:				
Net Investment in Capital Assets,	\$ 56,736,773	\$ 62,253,415	(5,516,642)	-9%
Restricted - Capital	16,200,815			
Restricted - Debt Service		0		
Unrestricted	9,535,817	18,298,741	(8,762,924)	-48%
Total Net Position	\$ 82,473,405	\$ 80,552,156	\$ 1,921,249	2%

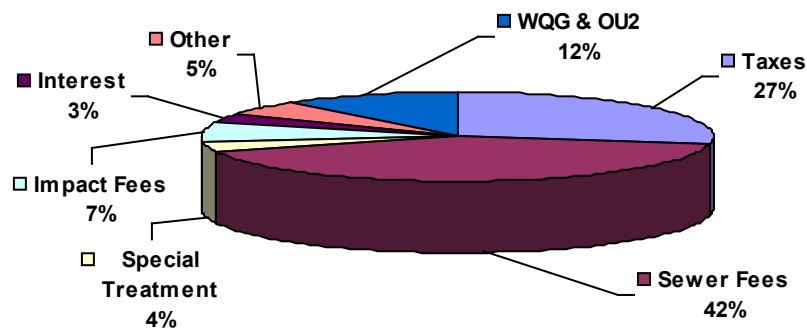
Expenses by Department 2017



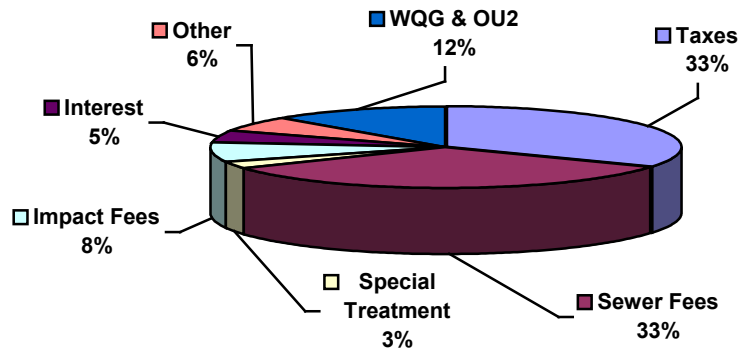
Expenses by Department 2018



Revenue by Source 2018



Revenues by Source 2017



SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2018-2017

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 3,799,780	\$ 2,503,468	\$ 1,296,312	52%
Special Treatment Fees	336,261	205,292	130,969	64%
Inspection & Project Fees	93,980	34,276	59,704	174%
Other	470,537	454,202	16,335	4%
Total Operating Revenues	4,700,558	3,197,238	1,503,320	47%
Operating Expenses:				
Operating Expenses	2,971,592	2,668,561	303,031	11%
Salaries & Benefits	4,149,354	4,022,952	126,402	3%
Depreciation	285,891	323,330	(37,439)	-12%
Total Operating Expenses	7,406,837	7,014,843	391,994	6%
Non-Operating Revenue (Expense)				
General Property Tax	2,483,497	2,102,078	381,419	18%
Impact Fees	604,760	589,843	14,917	3%
Interest Income	306,480	302,862	3,618	1%
Bond Interest & Costs	-	(483,601)		
WQG Contributions & EPA Grant	1,040,344	924,746	115,598	13%
Gain (Loss) on Disposal of Property	256,975	87,959	169,016	192%
Unrealized gain (loss) on investments	58,256	13,482	44,774	100%
Equity in Earnings (Loss)	(124,039)	(123,714)		
Total Non-Operating Revenue (Expense)	4,626,273	3,413,655	1,212,618	36%
Increase in Net Position Before Capital Contributions	1,919,994	(403,950)	2,323,944	-575%
Contributed Capital	897,985	2,325,199	(1,427,214)	-61%
Increase in Net Position	2,817,979	1,921,249	896,730	47%
Net Position at Beginning of Year	82,473,405	80,552,156	1,921,249	2%
Prior Period Adjustment	-	-	-	
Net Position at End of Year	\$ 85,291,384	\$ 82,473,405	\$ 2,817,979	3%

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,503,468	\$ 2,471,683	\$ 31,785	1%
Special Treatment Fees	205,292	197,526	7,766	4%
Inspection & Project Fees	34,276	33,730	546	2%
Other	454,202	278,265	175,937	63%
Total Operating Revenues	3,197,238	2,981,204	216,034	7%
Operating Expenses:				
Operating Expenses	2,668,561	3,110,940	(442,379)	-14%
Salaries & Benefits	4,022,952	3,555,888	467,064	13%
Depreciation	323,330	326,654	(3,324)	-1%
Total Operating Expenses	7,014,843	6,993,482	21,361	0%
Non-Operating Revenue (Expense)				
General Property Tax	2,102,078	2,282,560	(180,482)	-8%
Impact Fees	589,843	592,322	(2,479)	0%
Miscellaneous	-	119,065	(119,065)	-100%
Interest Income	302,862	178,050	124,812	70%
Bond Interest & Costs	(483,601)			
WQG Contributions & EPA Grant	924,746	900,827	23,919	100%
Gain (Loss) on Disposal of Property	87,959	36,394	51,565	142%
Unrealized gain (loss) on investments	13,482	20,829	(7,347)	
Equity in Earnings (Loss)	(123,714)			
Total Non-Operating Revenue (Expense)	3,413,655	4,130,047	(716,392)	-17%
Increase in Net Position Before Capital Contributions	(403,950)	117,769	(521,719)	-443%
Contributed Capital	2,325,199	650,236	1,674,963	258%
Increase in Net Position	1,921,249	768,005	1,153,244	150%
Net Position at Beginning of Year	80,552,156	79,784,151	768,005	1%
Prior Period Adjustment	-	-		
Net Position at End of Year	\$ 82,473,405	\$ 80,552,156	\$ 1,921,249	2%

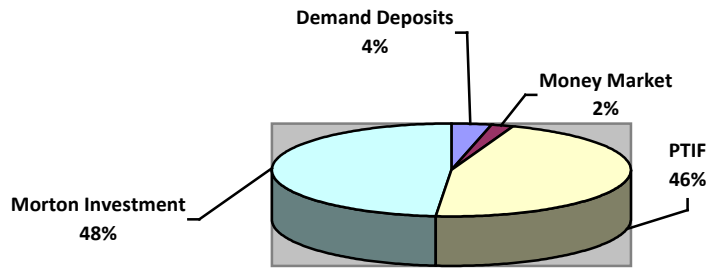
Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year are invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels that safety, liquidity, and yield provided by the PTIF make a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rates paid by the PTIF for 2018 and 2017 were 2.39% and 1.39% respectively (72% Increase). Interest rates have been at historic lows beginning in 2009. A ten-year history of the PTIF interest rates is found in the Statistical Section page 105.

\$4,000,000 is invested with Moreton Asset Management which the net earnings rate is 2.43% as of December 31, 2018. These funds are considered "sustainable funds." The fair value as of December 31, 2018 is \$4,108,832.

The District has three demand deposit accounts and one money market account all of which earn interest. The interest earned in these four accounts is immaterial because the account balances are small, and the interest rates are currently low. The Notes to the Financial Statements, Note 2 on pages 54 to 57 "Deposits and Investments" section, will give you more information.

Cash & Cash Equivalents 2018



Interest income for 2018 and 2017 was \$306,480 and \$302,862 respectively an 1% Increase. This increase was the result of higher interest rates in the Public Treasurers Investment Fund (PTIF). Revenue bond proceeds are held in a PTIF account and earn interest. See pages 56 to 59, note 2 in the Notes to the Financial Statements and page 105 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, and equipment.

As of December 31, 2018, the District had \$111,194,639 (historical cost) in capital assets. This represents a net increase of 18% over 2017 and a 19% net increase from 2016 to 2017 as shown in the tables below:

Property and Equipment 2018-2017 and 2017-2016

	Fiscal Year		Fiscal Year			
	2018		2017		Change	Percent Change
Land	\$	3,070,568	\$	3,148,863	\$ (78,295)	-2%
Buildings & Facilities		24,336,186		24,336,186	-	0%
Outfall/Sewer Lines		49,278,649		48,251,041	1,027,608	2%
Equipment		5,977,419		5,990,420	(13,001)	0%
Construction in Progress		28,531,817		12,767,821	15,763,995	123%
Total	\$	111,194,639	\$	94,494,332	\$ 16,700,307	18%

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

The major capital asset events for the 2018 fiscal year included the following:

- Construction costs of renewable energy project (WRR) \$11,460,810
- Construction costs of nutrient removal project (ABNR) \$4,303,184
- Contribution of sewer lines from developers valued at \$747,911
- Contribution of Highgate Subdivision Trunk-line \$279,697
- Purchased Kubota mini excavator \$47,343.
- Upgrade of GIS system at a cost of \$23,283.
- Purchased new boiler and fabricated a new belt press \$140,619.
- Sold John Deere FE Loader \$129,850
- Purchased two 2018 Ford F350 Trucks \$130,125
- Sold West Bountiful City land \$78,295
- Sold two 2017 Ford F350 Trucks \$113,700.
- Sold GapVax Jet Washer \$328,484

The District spent \$517,768 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2018. 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.

2018 capital asset additions included:

Sewer Lines	\$1,027,608
Buildings, Facilities & Lines	-0-
Equipment	615,883
Construction -In-Progress	15,763,995
Total	\$17,407,486

Additional information on the District's capital assets can be found in the Required Supplemental Information section (Pages 69 to 73), the Statistical Section (Pages 110 to 114) and the Notes to the Financial Statements, Note 1, paragraph G (Page 54).

Debt Administration

The District issued 20-year taxable revenue bonds (Series 2017A) to finance the construction of the Wasatch Resource Recovery (WRR) renewable energy project. The par amount of these bonds is \$21,195,000. The outstanding bonds payable amount is \$21,195,000 as of the end of 2018. The closing date for the bonds was May 17, 2017 and the maturity date December 1, 2037. The average coupon rate is 4.17%. Bonds maturing on and after December 1, 2027 are callable at par on December 1, 2026. The District made two bond interest payments of \$418,952 and \$418,292 on June 1, 2018 and December 1, 2018 respectively. Another interest payment is due June 1, 2019 for \$418,881.25. The first principle and interest payment on these taxable revenue bonds will be on December 1, 2019 in the amount of \$1,218,881.

As of December 31, 2018, the net carrying value of these taxable revenue bonds are \$2,934,578 (Restricted funds for WRR project).

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 Questar or Rocky Mountain Power would have received. The District's credit rating has not changed.

As of December 31, 2018, the District had a long-term liability outstanding related to compensated absences due to employees of \$560,427. This has increased 12% compared to 2017. This is due to an aging workforce, more personal, and increases in personal costs. For more information, see the "Notes to the Financial Statements" (Pages 61 to 62) and the Statistical Section (Pages 94 to 98).

In accordance with GASB Statement No. 68, which the District implemented in 2015, Utah Retirement Systems calculated the 2018 net pension liability to be \$928,173 and for 2017 \$1,621,008, The decrease in the net pension liability was a result of a strong market performance of 13.6% return on earnings. See the Required Supplemental Information section (Pages 74 to 76) and the Notes to the Financial Reports, Note 8, pages 63 to 67, for more information.

**Outstanding Long-Term Debt
2018-2017 and 2017-2016**

	2018		2017		Change	Change
Compensated Absences	\$ 560,427	\$	499,008	\$	61,419	12%
Net Pension Liability	928,173		1,621,008		(692,835)	-43%
Revenue Bonds Payable	20,783,161		20,748,437		34,724	0%
Total	\$ 22,271,761	\$	\$ 22,868,453	\$	(596,692)	-3%

	Fiscal Year 2017		Fiscal Year 2016		Change	Percent Change
Compensated Absences	\$ 499,008	\$	463,321	\$	35,687	8%
Net Pension Liability	1,621,008		1,485,456		135,552	9%
Revenue Bonds Payable	20,748,437		-		20,748,437	
Total	\$ 22,868,453	\$	\$ 1,948,777	\$	20,919,676	1073%

Modified Approach to Accounting for Infrastructure

Starting January 1, 2004, the District elected to use the Modified Approach instead of the Depreciation Approach to 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 \$684,106 were budgeted and funds expended were \$517,768 in 2018 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 2019. 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 \$675,027 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 page 69)

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 2019 for all infrastructure assets.

Additional information about the Modified Approach can be found in the Required Supplemental Information Section of this report (Pages 69 to 73) and the Notes to the Financial Statements, Note 1, paragraph G, on page 52.

Economic Factors, Next Year's (2019) 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 (www.gardner.utah.edu). The civilian unemployment rate in Utah was 3% as of the end of December 31, 2018. Low unemployment is a factor in a strong economy. Currently, Utah is one of the strongest in the United States and is expected to be strong in 2019.
- The 2019 debt service for the 20-year taxable revenue bonds will be one interest payment of \$418,749 on June 1, 2018, and one interest and principle payment of \$1,218,881 on December 1, 2019.

- The Utah State Tax Commission certified tax rate property values for 2019 is \$8,685,244,151. According to the Davis County Assessor, property values are to increase 9.82% compared to 2018. The District has budgeted \$2,477,000 for property tax revenue in 2019. The District's certified tax rate for 2019 is .000234, a decrease of 4% (.000245) from 2018.
- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have leveled off in 2015. Since 2015 interest rates are now trending upward but are still projected to remain low for 2019. It is projected the short-term interest rate will be slightly above 3% in 2019.
- \$981,000 has been budgeted for sewer line rehabilitations and spot repairs including cured in place pipe (CIPP) projects. \$440,000 (Collection system and lift stations) and \$541,000 (Treatment plants) has been budgeted for preservation and rehabilitation of the Districts infrastructure assets,
- The Wasatch Resource Recovery (WRR) facility is projected to be fully operational by December 31, 2019. The WRR facility will take food waste and convert it to green natural gas. The District will need to hire additional personnel to operate this facility. It is projected that eight to twelve new employees at a projected cost of \$900,000 will be needed in 2019 to operate the WRR facility. Revenue from the sale of this energy is projected to be \$2,634,000 and tipping fees \$579,000.
- To comply with the new nutrient restrictions issued by the Environmental Protection Agency (EPA) and the Utah State Division of Water Quality (DWQ), the District is exploring the possibility of building an Advance Biological Nutrient Removal facility (ABNR) that will use algae to facilitate this nutrient removal process. It is anticipated this algae project will cost approximately \$30 million and would be funded by state revolving loans. As of December 31, 2018, this was still in the planning and feasibility stage.
- A sewer service rate increase is possible for 2019. The monthly sewer service rates were increased in mid-2018 from \$5.00 to \$10.00. The purpose of this possible increase is to cover additional debt service of the ABNR and WRR projects and District treatment plant, maintenance and rehabilitation expenses. This possible rate increase is projected to increase sewer service revenue by \$2,500,000 annually. As of the date of this report, the District is still exploring if the additional funding will be needed.

Requests for Information

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

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Fiscal Year Ended December 31, 2018 and 2017



SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2018 and 2017

	2018	2017
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,242,114	\$ 6,177,951
Investments	4,108,832	4,018,418
Receivables:		
Accounts receivable, sewer service charges	312,470	106,199
Accounts receivable, certified to county treasurer	32,775	34,591
Accounts receivable, special treatment charges	40,611	18,136
Accounts receivable, other	128,807	260,416
Accrued property taxes receivable	465,606	391,359
Accrued interest receivable	16,123	24,534
Inventory of supplies	12,458	7,195
Prepaid expenses	21,800	21,800
TOTAL CURRENT ASSETS	7,381,596	11,060,599
NONCURRENT ASSETS		
Restricted cash and cash equivalents	5,007,571	16,200,816
Investment in WRR, LLC	428,145	459,850
Reimbursable costs	42,759	54,694
Net pension asset	-	-
Nondepreciable capital assets	92,963,590	75,335,401
Depreciable capital assets, net	2,289,865	2,184,716
TOTAL NONCURRENT ASSETS	100,731,930	94,235,477
TOTAL ASSETS	\$ 108,113,526	\$ 105,296,076
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	\$ 737,874	\$ 1,070,080

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2018 and 2017

	2018	2017
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 341,004	\$ 520,076
Accrued salaries & wages	108,788	91,873
Accrued payroll taxes	44,540	78,725
Accrued bond interest payable	69,814	34,907
Performance deposits and retainage	110,900	46,100
Current portion of accrued compensated absences	45,000	45,000
Current portion of revenue bonds payable	800,000	-
TOTAL CURRENT LIABILITIES	1,520,046	816,681
NONCURRENT LIABILITIES		
Noncurrent portion of revenue bonds payable, net of unamortized discount	19,983,161	20,748,437
Accrued compensated absences	560,427	499,008
Net pension liability	928,173	1,621,008
TOTAL NONCURRENT LIABILITIES	21,471,761	22,868,453
TOTAL LIABILITIES	\$ 22,991,807	\$ 23,685,134
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pensions	\$ 568,209	\$ 207,617
NET POSITION		
Net Investment in capital assets	\$ 74,470,294	\$ 56,736,773
Restricted for:		
Capital projects	2,942,223	14,184,170
Debt service	2,065,348	2,016,645
Unrestricted	5,813,519	9,535,817
TOTAL NET POSITION	\$ 85,291,384	\$ 82,473,405

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

SOUTH DAVIS SEWER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sewer service charges	\$ 3,799,780	\$ 2,503,468
Sewer special treatment charges	336,261	205,292
Inspection, and project fees	93,980	34,276
Other operating revenues	470,537	454,202
TOTAL OPERATING REVENUES	4,700,558	3,197,238
OPERATING EXPENSES		
Personal services	4,149,354	4,022,952
Contractual services	498,347	607,228
Utilities	342,996	334,911
Repairs and maintenance	1,521,904	1,080,825
Other supplies and expenses	509,314	526,287
Insurance claims and expenses	99,031	119,310
Depreciation	285,891	323,330
TOTAL OPERATING EXPENSES	7,406,837	7,014,843
OPERATING LOSS	(2,706,279)	(3,817,605)
NONOPERATING REVENUES AND (EXPENSES)		
General property tax	2,483,497	2,102,078
Intergovernmental contributions	1,040,344	924,746
Impact fees	604,760	589,843
Interest income	306,480	302,862
Unrealized gain (loss) on investments	58,256	13,482
Bond issuance costs	-	(483,601)
Equity in earnings (losses) in subsidiary/JV activity	(124,039)	(123,714)
Gain (loss) on sale of plant equipment	256,975	87,959
TOTAL NONOPERATING REVENUES AND (EXPENSES)	4,626,273	3,413,655
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,919,994	(403,950)
DEVELOPER CONTRIBUTED SEWER LINES	897,985	2,325,199
CHANGE IN NET POSITION	\$ 2,817,979	\$ 1,921,249
NET POSITION - BEGINNING OF THE YEAR	82,473,405	80,552,156
NET POSITION - END OF THE YEAR	\$ 85,291,384	\$ 82,473,405

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,052,655	\$ 2,729,471
Payments to suppliers of goods and services	(3,155,927)	(2,481,463)
Payments to employees for services	(4,105,242)	(3,849,330)
Other receipts	564,517	204,173
NET CASH USED IN OPERATING ACTIVITIES	(2,643,997)	(3,397,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,409,250	2,242,062
Intergovernmental contributions	1,040,344	924,746
Impact fees collected	604,760	589,843
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,054,354	3,756,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of revenue bonds	-	20,729,724
Bond issuance costs paid	-	(483,601)
Bond interest paid	(837,763)	(451,460)
Proceeds from the sale of capital assets	560,112	538,586
Purchase of capital assets	(16,516,987)	(13,210,380)
Net receipt (refund) of performance deposits and retainages	64,800	(8,805)
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(16,729,838)	7,114,064
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(4,037,095)
Interest income received	190,399	313,506
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	190,399	(3,723,589)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(15,129,082)	3,749,977
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	22,378,767	18,628,790
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 7,249,685	\$ 22,378,767

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows, Continued For the Years Ended December 31, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (2,706,279)	\$ (3,941,319)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	285,891	323,330
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	(206,271)	73,621
Sewer service charges certified to county treasurer	1,816	14,730
Special treatment charges	(22,475)	(1,458)
Other	131,609	(80,805)
Property taxes	-	-
Inventory of construction and maintenance materials	(5,263)	11,129
Prepaid expenses	-	584
Equity investment in LLC	-	(160,591)
Reimbursed costs	11,935	14,623
Net pension asset	-	15
Deferred outflows of resources	332,206	(169,620)
Increase (decrease) in:		
Accounts payable	(179,072)	175,385
Accrued payroll	16,915	12,133
Accrued payroll taxes	(34,185)	60,437
Accrued compensated absences	61,419	55,687
Net pension liability	(692,835)	135,552
Deferred inflows of resources	360,592	79,418
NET CASH USED IN OPERATING ACTIVITIES	\$ (2,643,997)	\$ (3,397,149)
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
The District received additions to the collection system, which represent the fair value of sewer lines deeded to the District. These additions were accounted for as "developer contributed sewer lines" in the statement of revenues, expense, and changes in fund net position	\$ 897,985	\$ 2,325,199
The District capitalized interest paid and accrued on revenue bonds payable.	\$ 906,805	\$ 505,080
Change in fair value of investments not reported as cash and cash equivalents.	\$ (32,325)	\$ (16,441)

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Data

Items budgeted, but not expended, are not carried over to succeeding years. Budgeted items must be re-appropriated each year. The budgetary report is reconciled to the basic financial statements (GAAP basis) as noted in the other supplementary information found on pages 77-78. The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a basis consistent with GAAP with the following exceptions:

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

D. Cash and Cash Equivalents

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

E. Investments

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

F. Inventories

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

G. Capital Assets

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

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

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

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

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

H. Interest Capitalization

The District follows Financial Accounting Standards Board Standards concerning the capitalization of interest for qualifying assets. For the years ended December 31, 2018 and 2017, \$906,805 and \$505,080 interest was capitalized, respectively.

I. Operating and Non-Operating Revenue and Expenses

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

J. Estimates

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

K. Pensions

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

L. Deferred Outflows/Inflows of Resources

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

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

M. Net Position

The District's net position is classified as follows:

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

N. Restricted and Unrestricted resources

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

O. Allowance for Doubtful Accounts

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

P. Contributed Capital

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

Q. Risk Management

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

2. DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk—Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The Money Management Act requires deposits be in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The District's insured and uninsured and uncollateralized bank balances were as follows:

	2018	2017
Carrying amount (book balance)	\$ 466,519	\$ 447,144
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	256,106	233,473
TOTAL BANK BALANCE	\$ 506,106	\$ 483,473
	2018	2017
Cash on deposit	\$ 466,519	\$ 447,144
Cash on hand	725	725
TOTAL	\$ 467,244	\$ 447,869

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

B. Investments

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

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

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

- *Level 1* – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.

- *Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit.
- *Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of December 31, 2018, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurement Classification</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Utah Public Treasurer's Investment Fund (PTIF)	6,781,320	-	6,781,320	-
Cash & cash equivalents	8,208	8,208	-	-
Federal agency bonds	1,575,807	1,575,807	-	-
Corporate bonds	1,595,507	-	1,595,507	-
Other fixed income securities	998,365	998,365	-	-
Total investments	<u>\$ 10,959,207</u>	<u>\$ 2,582,380</u>	<u>\$ 8,376,827</u>	<u>\$ -</u>

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

As of December 31, 2018 and 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>December 31, 2018</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's Investment Fund (PTIF)	6,781,320	6,781,320	-	-	-
Cash & cash equivalents	8,208	8,208	-	-	-
Federal agency bonds	1,575,807	1,575,807	-	-	-
Corporate bonds	1,595,507	1,595,507	-	-	-
Other fixed income securities	998,365	998,365	-	-	-
Total investments	<u>\$ 10,959,207</u>	<u>\$ 10,959,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

December 31, 2017

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

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

The District had the following investments and quality ratings as of December 31, 2018 and 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	6,781,320				6,781,320
Cash & cash equivalents	8,208	8,208			
Federal agency bonds	1,575,807	1,575,807			
Corporate bonds	1,595,507		1,595,507		
Other fixed income securities	998,365		998,365		
Total investments	\$ 10,959,207	\$ 1,584,015	\$ 2,593,872	\$ -	\$ 6,781,320

December 31, 2017

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

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

3. EXTERNAL INVESTMENT POOL

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

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

4. REIMBURSABLE COSTS

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

5. JOINT VENTURE

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2018, are as follows:

	<u>12/31/2017</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2018</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ (78,295)	\$ 3,070,568
Construction in progress	13,272,901	16,678,876	-	29,951,777
Infrastructure:				
Sewer treatment facility and collection system	72,587,224	1,027,608	-	73,614,832
Accumulated depreciation on infrastructure assets prior to January 1, 2005	<u>(13,673,587)</u>	<u>-</u>	<u>-</u>	<u>(13,673,587)</u>
Total nondepreciable capital assets	<u>75,335,401</u>	<u>17,706,484</u>	<u>(78,295)</u>	<u>92,963,590</u>
Depreciable capital assets:				
Machinery and equipment	1,842,980	140,619	(385,334)	1,598,265
Mobile equipment	3,685,633	451,980	(243,550)	3,894,063
Office furniture and equipment	461,808	23,283	-	485,091
Total depreciable capital assets at historical cost	<u>5,990,421</u>	<u>615,882</u>	<u>(628,884)</u>	<u>5,977,419</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,394,945)	(69,206)	-	(1,464,151)
Mobile equipment	(1,910,346)	(186,942)	404,040	(1,693,248)
Office furniture and equipment	(500,414)	(29,743)	-	(530,157)
Total accumulated depreciation	<u>(3,805,705)</u>	<u>(285,891)</u>	<u>404,040</u>	<u>(3,687,556)</u>
Depreciable capital assets, net	<u>2,184,716</u>	<u>329,991</u>	<u>(224,844)</u>	<u>2,289,863</u>
Total capital assets, net	<u>\$ 77,520,117</u>	<u>\$ 18,036,475</u>	<u>\$ (303,139)</u>	<u>\$ 95,253,453</u>

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

7. NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended December 31, 2018 and 2017 is as follows:

December 31, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	20,748,437	34,724	-	20,783,161	800,000
Compensated absences	544,008	275,535	(259,116)	560,427	45,000
Net pension liability	1,621,008	-	(692,835)	928,173	-
Total investments	<u>\$ 22,913,453</u>	<u>\$ 310,259</u>	<u>\$ (951,951)</u>	<u>\$ 22,271,761</u>	<u>\$ 845,000</u>

December 31, 2017

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

Compensated absences

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

Series 2017A Revenue Bonds

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

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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

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

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

Year (ending December 1)	Principal	Interest	Total
2017	\$ -	\$ 451,461	\$ 451,461
2018	-	837,763	837,763
2019	800,000	837,763	1,637,763
2020	825,000	813,763	1,638,763
2021	850,000	789,013	1,639,013
2022	875,000	763,513	1,638,513
2023	900,000	737,263	1,637,263
2024	930,000	708,013	1,638,013
2025	960,000	676,625	1,636,625
2026	995,000	643,025	1,638,025
2027	1,030,000	606,956	1,636,956
2028	1,075,000	564,469	1,639,469
2029	1,120,000	520,125	1,640,125
2030	1,165,000	473,925	1,638,925
2031	1,215,000	425,869	1,640,869
2032	1,260,000	375,750	1,635,750
2033	1,315,000	323,775	1,638,775
2034	1,375,000	264,600	1,639,600
2035	1,435,000	202,725	1,637,725
2036	1,500,000	138,150	1,638,150
2037	1,570,000	70,650	1,640,650
	\$ 21,195,000	\$ 11,225,196	\$ 32,420,196
Unamortized Discounts	(411,839)		
Bonds payable, Net	\$ 20,783,161		

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

8. PENSION PLANS

General Information about the Pension Plan

Plan Description: Eligible Plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

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

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

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102, or visiting the website: www.urs.org.

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

Summary of Benefits by System

System	Final Average	Years of Service Required and/or Age Eligibility for	Benefit Percentage per Year of Service	COLA**
Noncontributory System	Highest 3 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 Years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 years any age 20 years any age 60* 10 years any age 62* 4 years age 65	1.50% per year all years	Up to 2.5%

* With actuarial reductions

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2018 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
11 Local Governmental Div - Tier 1	6.00%	14.46%	N/A
111 Local Governmental Div - Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 Local Governmental Div - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69%	10.00%

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

For fiscal year ended December 31, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 298,868	N/A
Contributory System	46,248	19,190
Tier 2 Public Employee Systems	55,056	-
Tier 2 DC Only System	1,948	N/A
Total Contributions	\$ 402,120	\$ 19,190

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

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

At December 31, 2018, we reported a new pension asset of \$-0- and a net pension liability of \$928,173.

	(Measurement Date): December 31, 2017			Proportionate Share Dec 31, 2016	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
	Noncontributory System	\$ -	\$ 800,790		
Contributory System	\$ -	\$ 126,170	1.5504906%	1.2969910%	0.2534996%
Tier 2 Public Employees System	\$ -	\$ 1,213	0.0137612%	0.0105558%	0.0032054%
	<u>\$ -</u>	<u>\$ 928,173</u>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2018, we recognized pension expense of \$402,082.

At December 31, 2018, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,908	\$ 50,143
Changes in assumptions	\$ 289,273	\$ 18,833
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 484,169
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 28,573	\$ 15,064
Contributions subsequent to the measurement date	\$ 402,120	\$ -
	<u>\$ 737,874</u>	<u>\$ 568,209</u>

\$402,120 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2018	\$ 38,598
2019	\$ 54,334
2020	\$ (149,004)
2021	\$ (177,522)
2022	\$ (258)
Therafter	\$ 1,397

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Actuarial assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.82%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

Discount rate: The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95% from 7.20% from the prior measurement period.

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 2,165,713	\$ 800,790	\$ (334,075)
Contributory System	855,443	126,170	(485,561)
Tier 2 Public Employee System	14,286	1,213	(8,868)
Total	\$ 3,035,442	\$ 928,173	\$ (828,504)

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

Defined Contribution Savings Plans

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
401(k) Plan			
Employer Contributions	\$ 43,195.00	\$ 38,445.00	\$ 37,657.00
Employee Contributions	\$ 107,853.00	\$ 126,220.00	\$ 136,180.00
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 36,700.00	\$ 33,510.00	\$ 25,800.00
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 17,646.00	\$ 14,847.00	\$ 15,020.00

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

9. PROPERTY TAX CALENDAR

The District's property tax calendar is as follows:

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

10. IMPACT FEES

The District collects connection fees that are defined as impact fees. The District must expend these impact fees on capital expenditures relating to the infrastructure of the District. Impact fees collected in respect of the District's existing wastewater treatment facilities are not restricted to future capital expenditures, but may be used for any purpose of the District. The District had impact fee reserves of \$-0- at December 31, 2018 and 2017, respectively. Revenues from impact fees were \$604,760 and \$589,843 for the year ended December 31, 2018 and 2017, respectively.

11. CHANGES IN PRESENTATION OF COMPARATIVE STATEMENTS

Due to reclassifications, the District made changes to the presentation of the prior financial statement to make them comparable to the current year. The most significant was a decrease in "Net investments in capital assets" and an increase in "Unrestricted" net position in the statement of net position.

REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2018

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

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

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

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

The District makes use of a physical condition assessment of its collection system and treatment plant facilities that began January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with *GASB Statement No. 34*. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2016 according to *GASB Statement No. 34*. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 372.0 miles (1,964,418 feet) of sewer lines, 8,890 sections of line, 8,661 manholes, 11 lift stations, and 2 treatment plant facilities which collect and treat up to 16 million gallons per day (MGD) of wastewater.

Approximately 17% of the District's collection system was cleaned and 7% was inspected by closed circuit television (CCTV) in 2018 (see Collection System GIS TV and Cleaning Maps in this section).

The District expended \$517,768 on maintenance or preservation of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2018. 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 79, 19 and 43 rehabilitation projects for CIPP on sewer lateral lines in 2018, 2017 and 2016 respectively for a total cost of \$47,880 in 2018, \$12,570 in 2017 and \$24,657 in 2016.

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

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

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

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

In 2017, the District performed 623 condition assessments of line segments for the collection system, calculated in accordance with *GASB Statement No. 34* guideline. The District also performed an assessment of both treatment plant facilities, 1,479 manholes, and 11 lift stations. The condition assessment of the 1,108-line segments identified 32 deficiencies in line segments and 20 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2017. Each treatment plant had a deficiency identified in its respective cogeneration (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 co-gen systems have been taken out of service due to problems with siloxane and digester gas and will remain out of service until a cost-effective solution is found.
- The condition of the co-gen facility itself is excellent (1).

The next condition assessment sample is scheduled for 2019.

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

2009 - \$636,685	2010 - \$1,178,413	2011 - \$728,027	2012 - \$639,754	2013 - \$653,441
2014 - \$313,447	2015 - \$515,366	2016 - \$782,817	2017 - \$557,777	2018 - \$517,768

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030 is estimated to be \$672,067 per year. This figure was arrived at by taking the average expenditures from 2009 to 2018 and adding 1.5% for inflation ($\$662,135 \times 1.015$).

Funds totaling \$981,000 are budgeted for fiscal year 2019 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$541,000 Collection System
 \$440,000 Plant & Equipment Facilities

The amount estimated to achieve the 2018 minimal target conditional assessment is \$662,135, and the actual cost was \$517,768. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

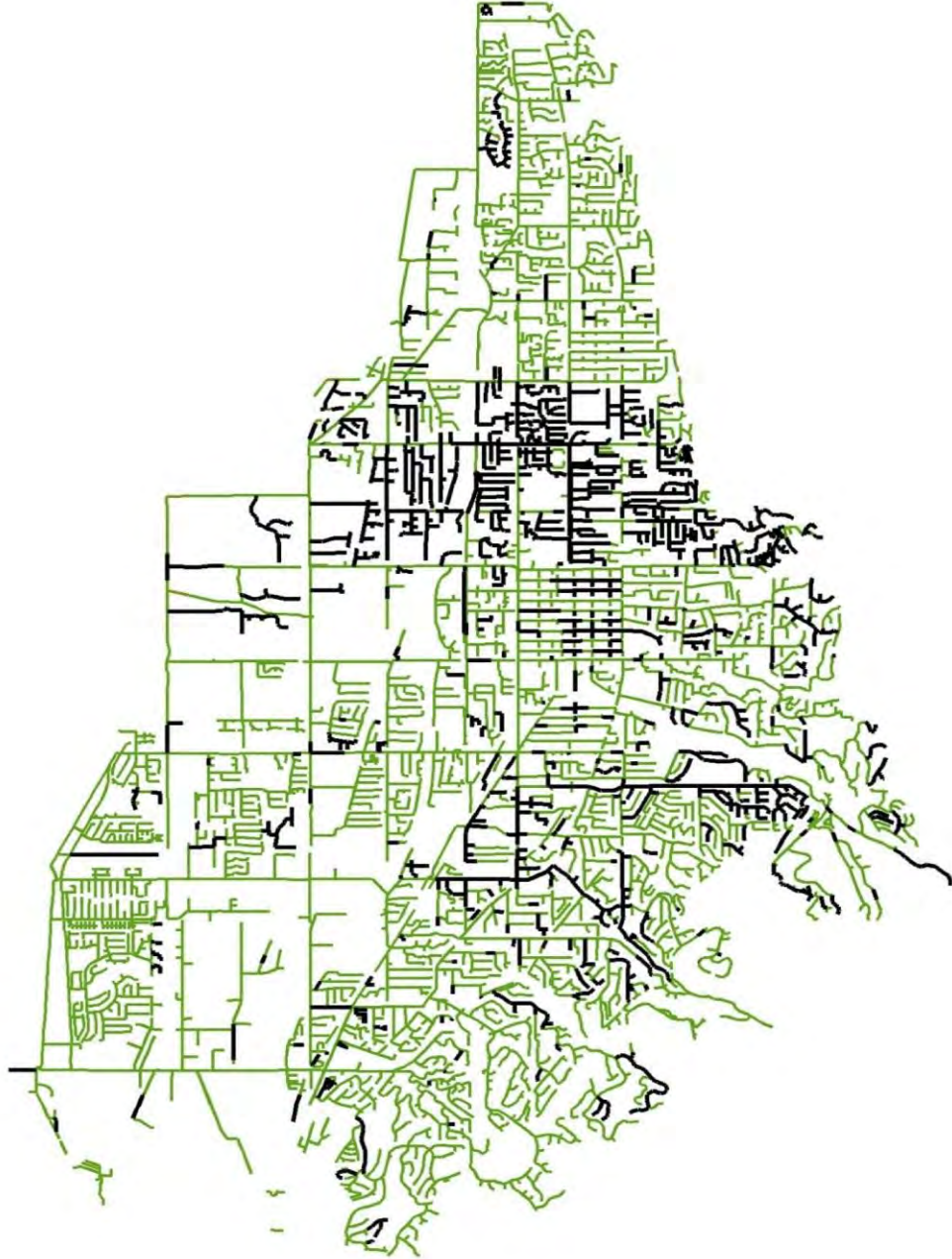
The Environmental Protection Agency (EPA) reports that much of the nation's infrastructure is deteriorating due to old age and lack of maintenance. Neglecting or deferring maintenance of an asset to the point of failure will cost more in the long run than carrying out routine maintenance.

SOUTH DAVIS SEWER DISTRICT

2018 Collection System Statistics
Year Ending December 31, 2018

TV INSPECTIONS

2016-2018



Pipe sections that were TV'ed between 2016 and 2018 are shown above in black.

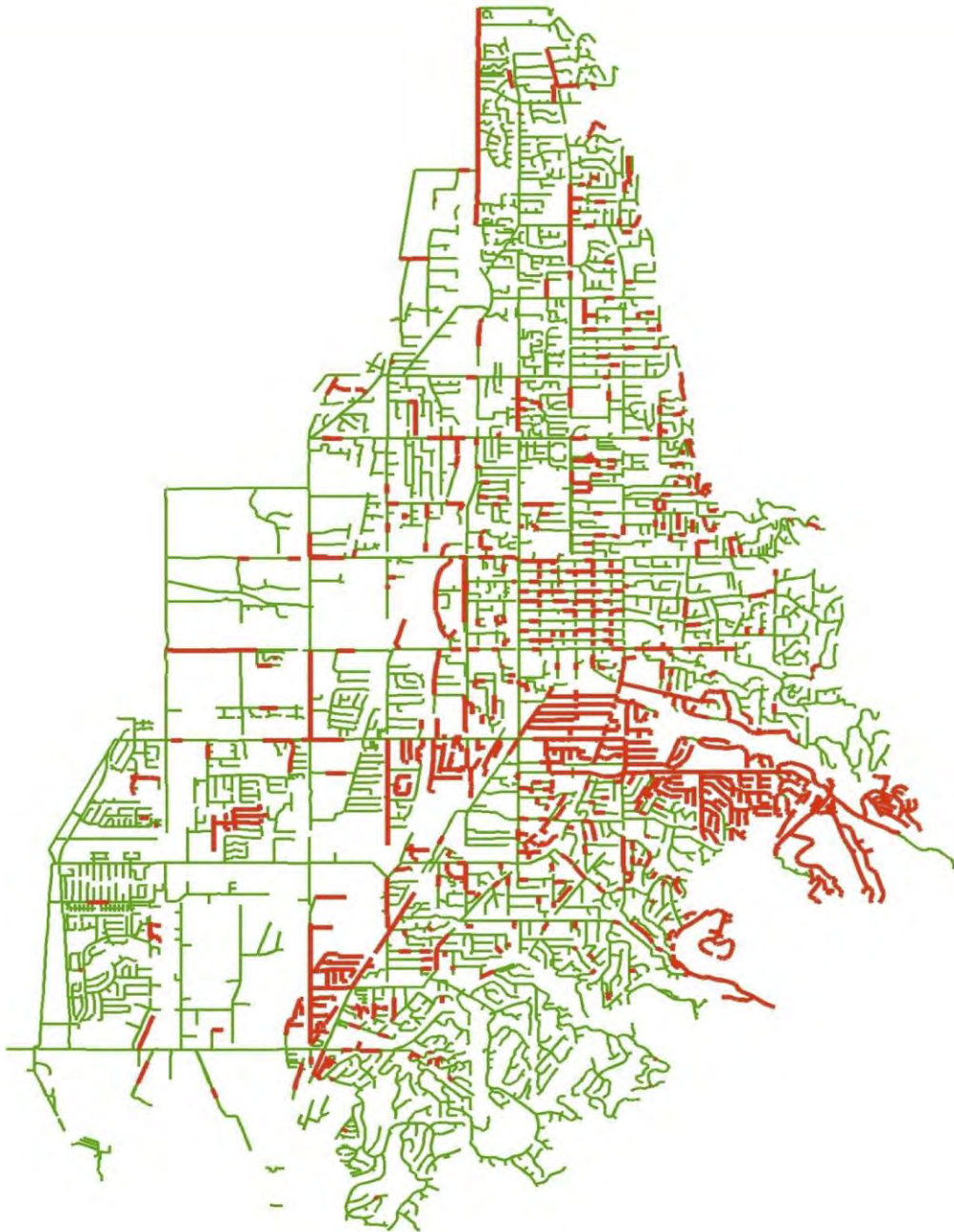
SOUTH DAVIS SEWER DISTRICT

2018 Collection System Statistics

Year Ending December 31, 2018

CLEANING

2016-2018



Pipe sections that were cleaned between 2016 and 2018 are shown above in red.

SOUTH DAVIS SEWER DISTRICT

Schedule of Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability- Utah Retirement Systems For the Year Ended December 31, 2018 With a Measurement Date of December 31, 2017 Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31,

	2018	2017	2016	2015
Proportion of net pension liability (asset)	0.1827746%	0.1859885%	0.1773809%	0.1714837%
Proportionate share of the net pension liability (asset)	\$ 800,790	\$ 1,194,274	\$ 1,003,707	\$ 744,623
Covered payroll	\$ 1,659,575	\$ 1,703,079	\$ 1,579,894	\$ 1,504,734
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.25%	70.12%	63.53%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	91.9%	87.3%	87.8%	90.2%

Contributory System for the Fiscal Years Ended December 31,

	2018	2017	2016	2016
Proportion of net pension liability (asset)	1.5504906%	1.2969910%	0.6854172%	0.5162013%
Proportionate share of the net pension liability (asset)	\$ 126,170	\$ 425,557	\$ 481,749	\$ 148,895
Covered payroll	\$ 314,619	\$ 311,199	\$ 292,048	\$ 275,901
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.10%	136.75%	164.96%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	98.2%	92.9%	85.7%	94.0%

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

	2018	2017	2016	2016
Proportion of net pension liability (asset)	0.0137612%	0.0105558%	0.0067634%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ 1,213	\$ 1,177	\$ (15)	\$ (242)
Covered payroll	\$ 134,222	\$ 86,566	\$ 43,693	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.90%	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	97.4%	95.1%	100.2%	103.5%

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

SOUTH DAVIS SEWER DISTRICT

Schedule of Required Supplementary Information Schedule of Contributions - Utah Retirement Systems December 31, 2018

	As of fiscal year ended December 31,*	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of employee payroll
Noncontributory System	2014	\$ 267,149	\$ 267,149	\$ -	\$ 1,504,734	17.75%
	2015	288,938	288,938	-	1,579,894	18.29%
	2016	311,783	311,783	-	1,702,246	18.32%
	2017	304,458	304,458	-	1,659,575	18.35%
	2018	298,868	298,868	-	1,627,788	18.36%
Contributory System	2014	\$ 38,303	\$ 38,303	\$ -	\$ 275,901	13.88%
	2015	42,230	42,230	-	292,048	14.46%
	2016	44,999	44,999	-	311,199	14.46%
	2017	45,494	45,494	-	314,619	14.46%
	2018	46,248	46,248	-	319,834	14.46%
Tier 2 Public Employee System**	2014	\$ 5,676	\$ 5,676	\$ -	\$ 39,225	14.47%
	2015	6,521	6,521	-	43,693	14.92%
	2016	12,907	12,907	-	86,566	14.91%
	2017	20,194	20,194	-	134,222	15.05%
	2018	55,056	55,056	-	359,127	15.33%
Tier 2 Public Employee DC Only System**	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
	2018	1,948	1,948	-	29,123	6.69%

* Only fiscal years 2014-2018 were available. The District will continue to present information for available years until a 10-year trend is compiled.

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

SOUTH DAVIS SEWER DISTRICT

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2018

Changes in Assumptions:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumption, both those changes has a minimal impact on the Total Pension Liability (and actuarial accrued liability).

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2018

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 2,500,000	\$ 3,900,000	\$ 3,799,780	\$ (100,220)
Sewer Special Treatment	100,000	150,000	336,261	186,261
Inspection Fees	9,000	15,000	16,180	1,180
Project Fees	30,000	35,000	77,800	42,800
Permit Fees	7,000	6,000	7,600	1,600
Sampling Fees	6,000	6,000	12,650	6,650
Lab Testing Fees	50,000	32,000	31,399	(601)
Taxable Sales	5,000	3,000	6,432	3,432
Misc Income	81,000	210,000	412,456	202,456
Total	2,788,000	4,357,000	4,700,558	343,558
Non-operating Revenues				
Property Taxes	2,369,000	2,577,000	2,483,497	(93,503)
Impact Fees	550,000	500,000	604,760	104,760
Delinquent Account Administration Fees	135,000	135,000	124,505	(10,495)
Interest	105,000	100,000	325,051	225,051
Surplus Property Sales	572,000	615,000	560,612	(54,388)
WFWQC Contributions	780,000	840,000	1,040,344	200,344
Contribution to Capital	-	-	897,985	897,985
Total	4,511,000	4,767,000	6,036,754	1,269,754
Total Revenue	7,299,000	9,124,000	10,737,312	1,613,312
EXPENSES				
Operating Expenses				
Operating Expenses	1,143,000	1,046,000	879,571	166,429
Utilities	350,000	371,000	382,163	(11,163)
Payroll and Benefits	4,297,000	3,961,000	4,155,651	(194,651)
Biosolid Disposal	20,000	50,000	30,300	19,700
No-Fault Sewer Back-up	25,000	10,000	24,237	(14,237)
Outside Services	707,000	604,000	452,047	151,953
Chemicals	430,000	460,000	484,758	(24,758)
Lab Testing	200,000	183,000	200,158	(17,158)
Transportation	55,000	57,000	60,915	(3,915)
Buildings & Grounds	71,000	36,000	24,632	11,368
Office & Computer	193,000	171,000	160,404	10,596
Insurance	92,000	95,000	95,239	(239)
Audit & Accounting	28,000	27,000	17,000	10,000
Education & Training	63,000	26,000	44,823	(18,823)
Total	7,674,000	7,097,000	7,011,899	85,101

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, 2018

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Outfall/Sewer Lines	-	294,000	279,697	14,303
Operating Equipment	-	91,000	-	91,000
Building and Facilities	40,172,000	15,150,000	15,817,232	(667,232)
Mobile Equipment	410,000	557,000	451,980	105,020
Major Equipment & Engineering	100,000	100,000	87,383	12,617
Office Equipment	20,000	40,000	23,283	16,717
Other				
Bond Legal and Costs	25,000	-	-	-
Debt Service Interest	2,205,425	837,762	837,762	-
Total	42,932,425	17,069,762	17,497,337	(427,575)
Total Expenses	50,606,425	24,166,762	24,509,236	(342,474)
Excess of Revenue over Expenses	\$ (43,307,425)	\$ (15,042,762)	\$ (13,771,924)	\$ 1,270,838

SOUTH DAVIS SEWER DISTRICT

Schedule of Impact Fees

For the Year Ending December 31, 2018

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Eagle Pointe	915 Plumbtree Ct	1/2/2018	\$ 1,596.00	
Island Views	Lot 12	1/3/2018	1,596.00	
East Orchard	Lot 5	1/9/2018	1,596.00	
Cottages at Hawwood	Lots 16,36,40	1/10/2018	4,788.00	
Town Plaza	Lot 119	1/15/2018	1,596.00	
Cottages at Hawwood	Lot 24	1/15/2018	1,596.00	
Chesham Village PUD	Lots 139, 140, 141, 142	1/15/2018	6,384.00	
Stringham Farms	Lot 5	1/17/2018	1,596.00	
Cottages at Hawwood	Lot 6	1/17/2018	1,596.00	
Eagle Pointe	Lot 1508	1/17/2018	1,596.00	
Cottages at Hawwood	Lot 13	1/26/2018	1,596.00	
Eagle Pointe	Lots 1712,1713, 1707, 1311	1/30/2018	6,384.00	
Havenwood Homes	Lot 30	1/31/2018	1,596.00	
				\$ 33,516.00
Ivory Homes	231 S 1300 W Bntf	2/5/2018	1,596.00	
East Orchard	Lot 2	2/5/2018	1,596.00	
Town Plaza	Lot 118	2/12/2018	1,596.00	
Bountiful Ridges	Lot 122	2/12/2018	1,596.00	
Chesham Village PUD	Lots 210, 211,212,213, 214,	2/15/2018	7,980.00	
Chris Schmut	230 S 100 W Bntf	2/15/2018	1,596.00	
The Cove @ Duel Creek	Lot 2	2/16/2018	1,596.00	
Foxboro Market Place	Lot 6	2/21/2018	3,192.00	
Bridlewood	Lot 20	2/21/2018	1,596.00	
NSL Industrial Park	Lot 24	2/27/2018	1,037.40	
Centerville Marketplace	330 N Market Place CTVL	2/28/2018	399.00	
				\$ 23,780.40
Foxboro Market Place	525 N Redwood Rd NSL	3/2/2018	\$ 22,171.13	
Towne Plaza Twinhomes	Lots 117, 122, 123, 124	3/19/2018	6,384.00	
Cottages at Hawwood	Lot 20	3/21/2018	1,596.00	
The Cove @ Duel Creek	Lot 3	3/28/2018	1,596.00	
Deer Hollow	Lot 2	3/28/2018	1,596.00	
				\$ 33,343.13
Industrial Park Plaza	Lot 6	4/2/2018	\$ 1,596.00	
Villas @ Bellaveda	Lot 37	4/3/2018	1,596.00	
Stone Creek	756 W 5025 W BNFL	4/5/2018	2,473.80	
Orchard Heights	Lot 405	4/11/2018	1,596.00	
Eagle Pointe	Lot 1306	4/18/2018	1,596.00	
Chesham Village PUD	Lots 144,145,143,146, 201,202, 203, 204,205	4/24/2018	14,364.00	
Towne Plaza Twinhomes	Lot 126	4/27/2018	1,596.00	
				\$ 24,817.80
Cottages at Hawwood	Lot 19	5/2/2018	\$ 1,596.00	
Brookhart	Lot 1	5/2/2018	1,596.00	
Villas @ Bellaveda	Lots 35,36,38,39,40	5/4/2018	7,980.00	
Foxboro Market Place	Lot 2	5/4/2018	1,755.60	
Olsen Ranches	Lot 1	5/4/2018	1,596.00	
Huggard Sub	Lot 2	5/9/2018	1,596.00	
East Orchard	Lot 405	5/9/2018	1,596.00	
Cottages at Hawwood	Lot 20	5/10/2018	1,596.00	
Villas @ Bellaveda	Lots 21,23	5/14/2018	3,192.00	
Moncur Sub	Lot 2	5/17/2018	1,596.00	
Chesham Village PUD	Lots 221,222,223	5/17/2018	4,788.00	
Chesham Village PUD	Lots 219,220,	5/18/2018	3,192.00	
Industrial Park Plaza	Lot 25	5/23/2018	3,032.40	
Olsen Ranches	Lot 7	5/23/2018	1,596.00	
Chitose Johnson	Lots 5,8,	5/24/2018	3,192.00	
Cindy Murray	878 E 250 N BNTL	5/25/2018	1,596.00	
Island Views	Lot 1508	5/30/2018	1,596.00	
Northern Hills	Lot 28	5/30/2018	1,596.00	
				\$ 44,688.00

Sunset Hollow	Lot 105	6/1/2018	\$ 1,596.00
Ford Canyon Est	Lot 408	6/7/2018	1,596.00
400 N Portner LLC	65 W 400 N BNTF	6/6/2018	399.40
Sycamore Grove PUD	Lots 17,18	6/8/2018	3,192.00
Chesham Village PUD	Lots 208,209,206,207	6/8/2018	6,384.00
Towne Plaza Twinhomes	Lot 128	6/11/2018	1,596.00
Villas @ Bellaveda	Lots 22, 24,25,44	6/11/2018	6,384.00
Sycamore Grove PUD	Lots 13,14	6/12/2018	3,192.00
Maverick	1722 W 1500 S WX	6/13/2018	5,187.00
Towne Plaza Twinhomes	Lot 127	6/18/2018	1,596.00
West Side Industrial Park	Lot 202A	6/19/2018	2,636.40
Chapel Ridge Cove	Lot 8	6/20/2018	1,596.00
Creekside Senior Center	440 W 400 N BNTL	6/21/2018	105,495.60
Foxboro Market Place	Lot 1A	6/21/2018	1,755.60
Cottages at Hawwood	Lots 10, 15	6/27/2018	3,192.00
			\$ 145,798.00
Chesham Village PUD	Lot 154	7/2/2018	\$ 3,351.60
Culvers	620 N 500 W BNTL	7/2/2018	4,149.60
Sycamore Grove PUD	Lots 15,16,	7/10/2018	3,192.00
Cottages at Hawwood	Lot 14	7/11/2018	1,596.00
Deer Hollow	Lot 1	7/11/2018	1,596.00
Sahara Redwood	460 N Redwood Rd NSL	7/17/2018	1,000.00
Kenross Est	Lots 2,3,4,	7/18/2018	3,192.00
R&R BBQ Restaurant	1085 N Hwy 89 NSL	7/23/2018	2,284.20
Skypark Industrial Park	Lot 66	7/23/2018	1,596.00
Eaglewood Village	Lot 1	7/25/2018	1,596.00
Parkway Commercial	Lot 20	7/25/2018	1,596.00
Villas @ Bellaveda	Lots 41,42	7/27/2018	3,192.00
			\$ 28,341.40
Chitose Johnson	Lot 7	8/8/2018	\$ 1,596.00
Kenross Est	Lots 6.23,4,5	8/8/2018	6,384.00
Chesham Village PUD	Lots 228,229,230,231,232	8/9/2018	7,980.00
Centerville Orchard	Lot 313	8/14/2018	1,596.00
Cottages at Hawwood	Lot 17	8/14/2018	1,596.00
Sahara Redwood	460 N Redwood Rd NSL	8/14/2018	1,000.00
Rigby Court Sub	Lot 4	8/23/2018	1,596.00
Sycamore Grove PUD	Lots 11,12	8/28/2018	3,192.00
Bristol Village	Lots 1-19	8/28/2018	30,324.00
Rockwood Gardens	Lot 102	8/29/2018	1,656.00
Gregerson Vista	Lot 406	8/29/2018	1,656.00
Villas @ Bellaveda	Lots 30,31,32,43,45,47	8/30/2018	9,576.00
Town Plaza	Lot 125	8/31/2018	1,596.00
			\$ 69,748.00
Hughes Industrial Park	Lot 14	9/5/2018	\$ 4,468.80
Beattie Sub	Lot 2	9/5/2018	1,596.00
Sahara Redwood	460 N Redwood Rd NSL	9/11/2018	1,000.00
Kenross Est	Lots 20,24,19,25,27,	9/11/2018	7,980.00
Cottages at Hawwood	Lot 11	9/11/2018	1,596.00
Michael Fisher	580 S 400 W CNTL	9/11/2018	1,596.00
Cottages at Hawwood	Lot 3	9/14/2018	1,596.00
Chesham Village PUD	Lots 227,226,	9/24/2018	3,192.00
South Davis Metro	43 S Main St CNTL	9/24/2018	6,304.20
Chesham Village PUD	Lots 224,225,217,218,216,215,	9/24/2018	9,576.00
Cottages at Hawwood	Lot 10	9/27/2018	1,596.00
Shamrock Village	Lot 103	9/27/2018	1,596.00
Villas @ Bellaveda	Lots 46,48,33,34	9/27/2018	6,384.00
			\$ 48,481.00
Eaglepoint Estates	Lot 1207	10/2/2018	\$ 1,596.00
Heritage Pointe	Lot 5	10/3/2018	1,596.00
Franklin Farms	Lot 412	10/5/2018	1,596.00
Eaglepoint Estates	Lot 1714	10/5/2018	1,596.00
Woods Crossing	Lot 6	10/9/2018	6,942.60
Bob Smart Sub	Lot 3	10/10/2018	1,596.00
Eaglepoint Estates	Lot 1610	10/11/2018	1,596.00
Sahara Redwood	460 N Redwood Rd NSL	10/11/2018	1,000.00
Shamrock Village	Lot 102	10/12/2018	1,596.00
Riverbend Ind	Lot 6	10/15/2018	2,314.20
Enclave PUD	Lot 1,2,3	10/16/2018	4,788.00
Sycamore Grove PUD	Lots 9,10	10/24/2018	3,192.00
			\$ 29,408.80

Cottages at Hawnwood	Lot 12	11/2/2018	\$ 1,596.00	
Shamrock Village	Lots 200-214	11/2/2018	22,344.00	
Sahara Redwood	460 N Redwood Rd NSL	11/5/2018	1,000.00	
Foxboro Market Place	Lot 5	11/9/2018	4,229.40	
Kenross Sub	Lot 15	11/16/2018	1,596.00	
Chitose Johnson	Lot 6	11/16/2018	1,596.00	
Cottages at Hawnwood	Lots 4,7,9,	11/14/2018	4,788.00	
Evergreen Bus Park	Lot 213	11/15/2018	1,356.60	
Carrington Apts	23 Units Ph 2	11/19/2018	36,708.00	
Legacy Crossing	Lot 402	11/27/2018	11,491.20	
				\$ 86,705.20
East Orchard	Lot 6	12/3/2018	\$ 1,596.00	
Sahara Redwood	460 N Redwood Rd NSL	12/3/2018	1,000.00	
Manors @ McKean Meadows	Lot 4	12/3/2018	1,596.00	
Eaglewood Village	Lot 3	12/4/2018	1,596.00	
Cove Townhomes	Club house + 10 Units	12/5/2018	16,359.00	
Villas @ Bellaveda	Lot 27	12/10/2018	1,596.00	
Wasatch Meadows	Lot 4	12/10/2018	1,596.00	
Woods Cross Industrial Park	Lot 11	12/14/2018	2,394.00	
Villas @ Bellaveda	Lots 26,28,29	12/18/2018	4,788.00	
Cottages at Hawnwood	Lots 5,8,	12/26/2018	3,192.00	
West Side Industrial Park	Lot 202A	12/26/2018	418.80	
				\$ 36,131.80
			Grand Total \$	604,759.53
			GL Adjustment \$	-
			GL Adjusted Total \$	604,759.53

Source: District accounting records, Zions Public Finance impact fee study and Resolution136.

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

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

This impact fee was increased to \$1,596 per EDU beginning September 20, 2012.

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

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

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

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



South Davis Sewer District
Local Government

December 31, 2018
Fiscal or Calendar Year Ending

Certification of Impact Fee Report

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

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

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

A handwritten signature in blue ink, appearing to read "Melanie J. Hiller", is written over a horizontal line.

Chief Financial Officer

South Davis Sewer District

Local Government

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	83
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	85
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>	93
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>	98
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>	103

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

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

Schedule 1

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	2018	'2017	2016	³ 2015	2014	2013	² 2012	2011	2010	'2009
Assets										
Current & Other Assets	\$ 7,852,500	\$ 13,759,859	\$ 19,629,290	\$ 19,562,221	\$ 15,739,177	\$ 15,524,487	\$ 15,281,822	\$ 15,482,994	\$ 16,953,319	\$ 18,890,833
Restricted Assets	5,007,571	16,200,816			-	-	-	-	-	-
Capital	95,253,455	75,335,401	62,622,006	61,735,456	60,919,692	59,235,406	55,347,168	53,226,384	51,825,817	49,820,787
Total Assets	\$ 108,113,526	\$ 105,296,076	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869	\$ 74,759,893	\$ 70,628,990	\$ 68,709,378	\$ 68,779,136	\$ 68,711,620
Deferred Outflows of Resources	737,874.00	1,070,080.00	900,460.00	361,388.00	-	-	-	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 108,851,400	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065						
Liabilities										
Current Liabilities	\$ 720,046	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292	\$ 354,546
Non-Current Liabilities	22,271,761	22,868,453	1,948,777	1,343,615	403,555	381,180	373,624	370,027	311,618	304,622
Total Liabilities	\$ 22,991,807	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524	\$ 639,910	\$ 659,168
Deferred Inflows of Resources	568,209	207,617	128,199	127,979						
Total Liabilities & Deferred Inflows of Resources	\$ 23,560,016	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914						
Net Position:										
Net Investment in Capital Assets	\$ 74,470,294	\$ 56,736,773	\$ 62,253,415	\$ 61,660,782	\$ 60,838,477	\$ 59,235,406	\$ 55,347,168	\$ 53,226,384	\$ 51,825,817	\$ 49,820,787
Restricted - Capital	2,942,223	14,184,170								
Restricted - Debt Service	2,065,348	2,016,645	18,298,741	18,123,369	15,086,330	14,657,204	14,473,427	14,659,470	16,313,409	18,231,665
Unrestricted	5,813,519	9,535,817								
Total Net Position	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452

Source: District accounting and financial records.

Notes: ¹SDSO became the agent entity for a interlocal agreement for the Wasatch Front Water Quality Council (WFWQC)

²Contracted with the EPA to operated a superfund site (OU2) in West Bountiful.

³GASB Statement No 68 (Pension Plans) implemented in 2015

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

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

Schedule 2

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	2018	2017 ⁵	2016	*2015	*2014	2013	*2012	2011	2010	*2009
Operating Revenues										
Sewer Service Fees	\$ 3,799,780	\$ 2,503,469	\$ 2,471,683	\$ 2,266,210	\$ 2,235,118	\$ 2,188,651	\$ 2,145,429	\$ 2,127,602	\$ 2,110,247	\$ 2,090,754
Sewer Special Treatment Fees	336,261	205,292	197,526	180,779	213,554	255,804	180,475	168,374	144,771	204,535
Inspection & Project Fees	93,980	34,276	33,730	20,470	40,200	52,460	77,980	27,210	8,145	27,889
Other	470,537	454,201	278,265	295,526	253,912	334,343	247,124	178,195	146,055	80,574
Total Operating Revenue	\$ 4,700,558	\$ 3,197,238	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,403,752
Operating Expenses										
Operating & Maintenance	\$ 7,120,946	\$ 6,691,513	\$ 6,666,828	\$ 5,935,569	\$ 5,532,400	\$ 5,407,450	\$ 5,241,791	\$ 5,704,107	\$ 5,515,868	\$ 4,645,897
Depreciation	285,891	323,330	326,654	278,380	342,111	360,330	327,082	295,415	265,475	215,435
Total Operating Expenses	\$ 7,406,837	\$ 7,014,843	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511	\$ 5,767,780	\$ 5,568,873	\$ 5,999,522	\$ 5,781,343	\$ 4,861,332
Operating Income (Loss)	\$ (2,706,279)	\$ (3,817,605)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)	\$ (2,936,522)	\$ (2,917,865)	\$ (3,498,141)	\$ (3,372,125)	\$ (2,457,580)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,483,497	\$ 2,102,078	\$ 2,282,560	\$ 2,208,762	\$ 2,078,046	\$ 2,119,222	\$ 1,989,427	\$ 2,024,811	\$ 1,970,947	\$ 1,880,189
Impact Fees	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482
Miscellaneous Revenue	-	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955	91,182
Intergovernmental Contributions	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161
Project Grant	-	-	-	-	-	69,418	178,113	-	-	-
Interest Income	306,480	302,862	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888
Gain (Loss) on Disposal of Property	256,975	87,959	36,394	33,603	104,325	43,625	29,866	198,630	38,559	25,727
Interest & Bond Costs	-	(483,601)	-	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	58,256	13,482	20,829	(14,326)	(2,552)	(6,336)	507,089	(437,754)	21,396	131,103
Equity in Earnings (Loss) WRR	(124,039)	(123,714)	-	-	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 4,626,273	\$ 3,413,655	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867	\$ 4,063,401	\$ 4,334,356	\$ 3,110,357	\$ 2,866,509	\$ 3,356,732
Income (Loss) Before Contributions	\$ 1,919,994	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)	\$ 899,152
Capital Contributions - Assets	897,985	2,325,199	650,236	266,362	1,327,057	2,871,442	518,250	134,412	592,390	683,890
Increase in Net Assets	\$ 2,817,979	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)	\$ 86,774	\$ 1,583,042
Total Net Position at Beginning of Year	82,473,405	80,552,156	79,784,151	75,924,807	73,892,610	69,820,595	67,885,854	68,139,226	68,052,452	66,469,410
Prior Period Adjustment	-	-	-	(776,173)	-	73,694	-	-	-	-
Total Net Position at End of Year	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452

Source: District accounting and financial records

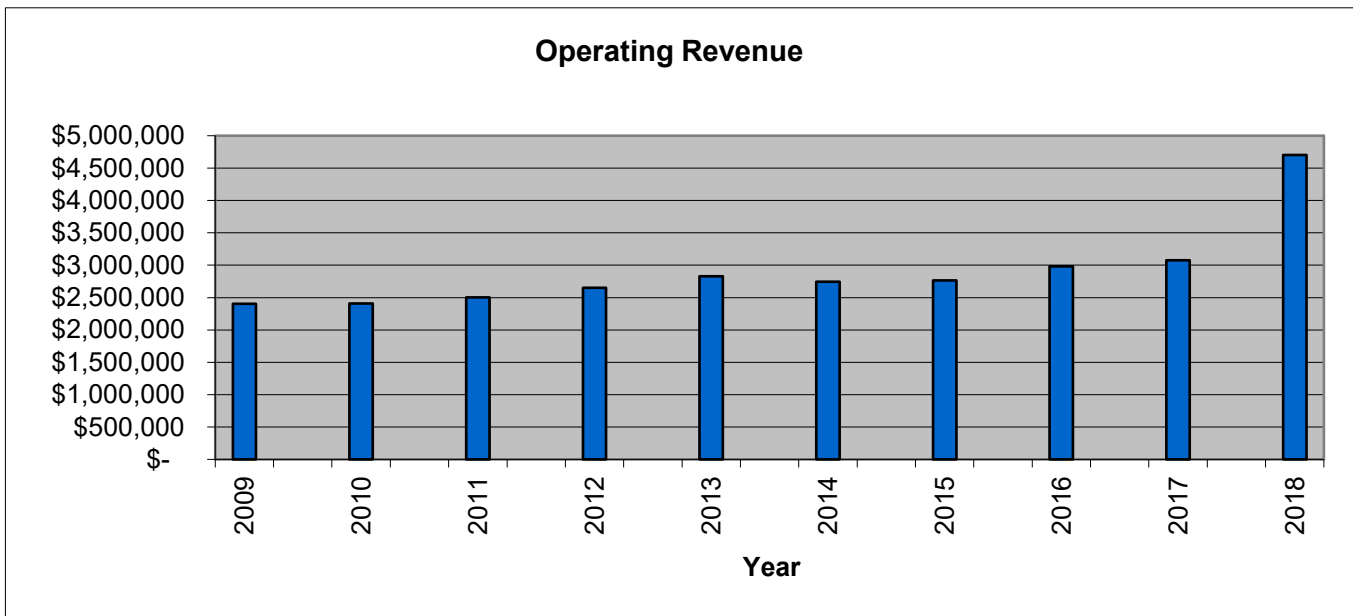
- Notes:
- ¹SDSD became the agent entity for the interlocal cooperative, Water Front Water Quality Council (WFWQC)
 - ²Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
 - ³Prior period adjustment resulted from a journal entry error.
 - ⁴GASB Statement No.68 (Pension Plan) Implemented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

SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
2009	\$ 2,090,754	\$ 232,424	\$ 80,574	\$ 2,403,752
2010	\$ 2,110,247	\$ 152,916	\$ 146,055	\$ 2,409,218
2011	\$ 2,127,602	\$ 195,584	\$ 178,195	\$ 2,501,381
2012	\$ 2,145,429	\$ 258,455	\$ 247,124	\$ 2,651,008
2013	\$ 2,188,651	\$ 308,264	\$ 334,343	\$ 2,831,258
2014	\$ 2,235,118	\$ 253,754	\$ 253,912	\$ 2,742,784
2015	\$ 2,266,210	\$ 201,249	\$ 295,526	\$ 2,762,985
2016	\$ 2,471,683	\$ 231,256	\$ 278,265	\$ 2,981,204
2017	\$ 2,503,468	\$ 239,568	\$ 330,488	\$ 3,073,524
2018	\$ 3,799,780	\$ 430,241	\$ 470,537	\$ 4,700,558

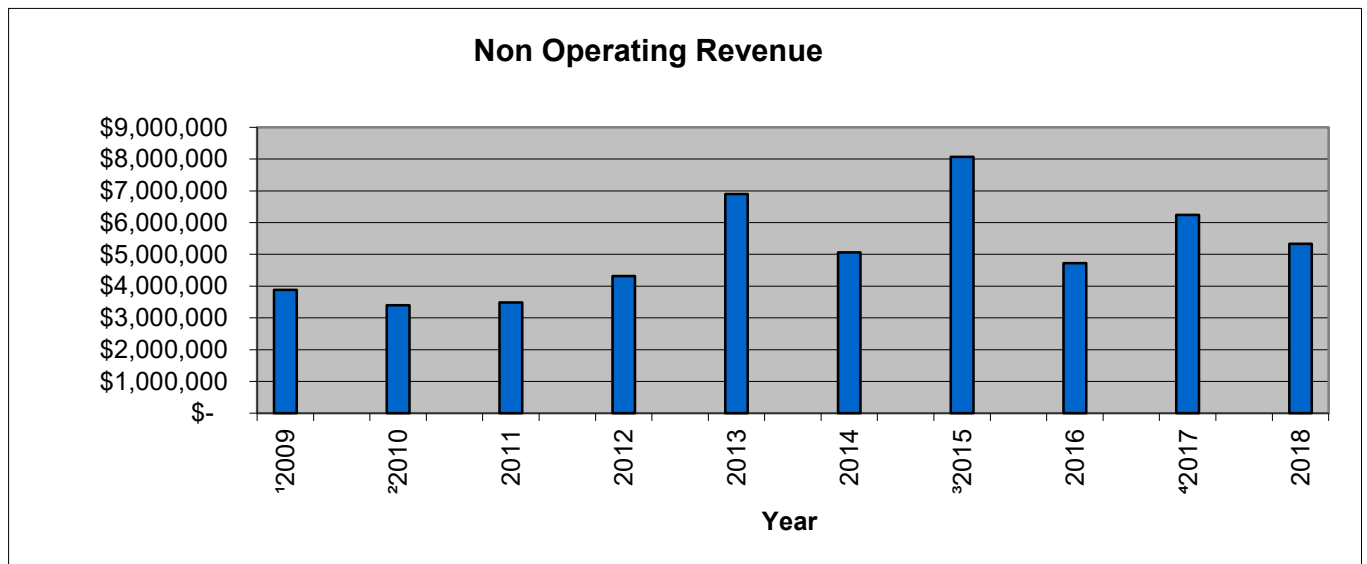


Source: District accounting records

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

Schedule 4

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
¹ 2009	\$ 1,880,189	\$ 683,890	\$ 605,482	\$ 255,888	\$ 91,182	\$ 367,161	\$ 3,883,792
² 2010	\$ 1,970,947	\$ 592,390	\$ 285,462	\$ 105,190	\$ 94,955	\$ 350,000	\$ 3,398,944
2011	\$ 2,024,811	\$ 134,412	\$ 712,027	\$ 158,551	\$ 98,692	\$ 355,400	\$ 3,483,893
2012	\$ 1,989,427	\$ 518,250	\$ 957,351	\$ 213,508	\$ 109,002	\$ 528,113	\$ 4,315,651
2013	\$ 2,119,222	\$ 2,871,442	\$ 1,029,824	\$ 81,659	\$ 175,989	\$ 619,418	\$ 6,897,554
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
³ 2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061
⁴ 2017	\$ 2,102,078	\$ 2,325,199	\$ 589,843	\$ 302,862	\$ -	\$ 924,746	\$ 6,244,728
2018	\$ 2,483,497	\$ 897,985	\$ 604,760	\$ 306,480	\$ -	\$ 1,040,344	\$ 5,333,066



Source: District financial and accounting records

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

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

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

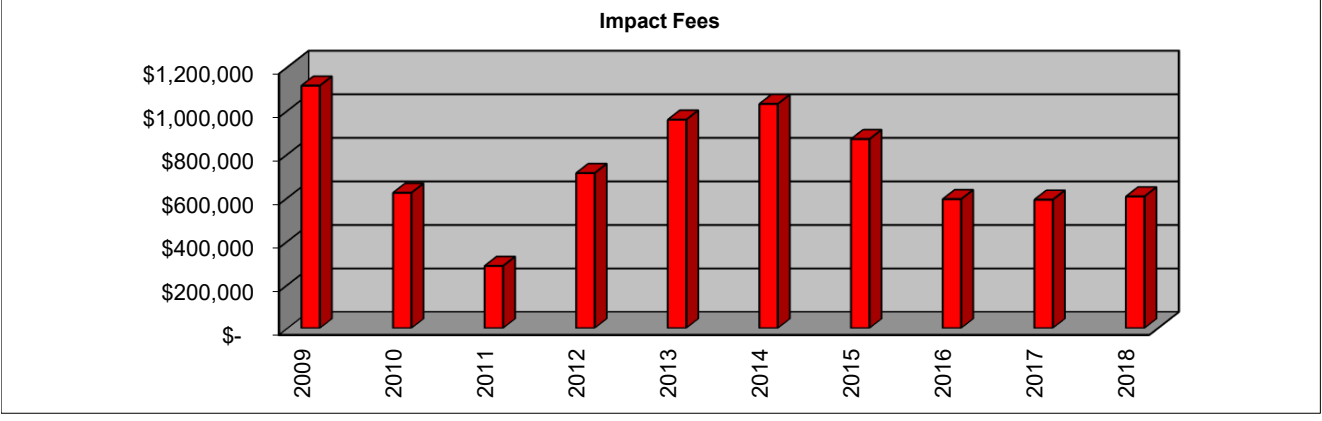
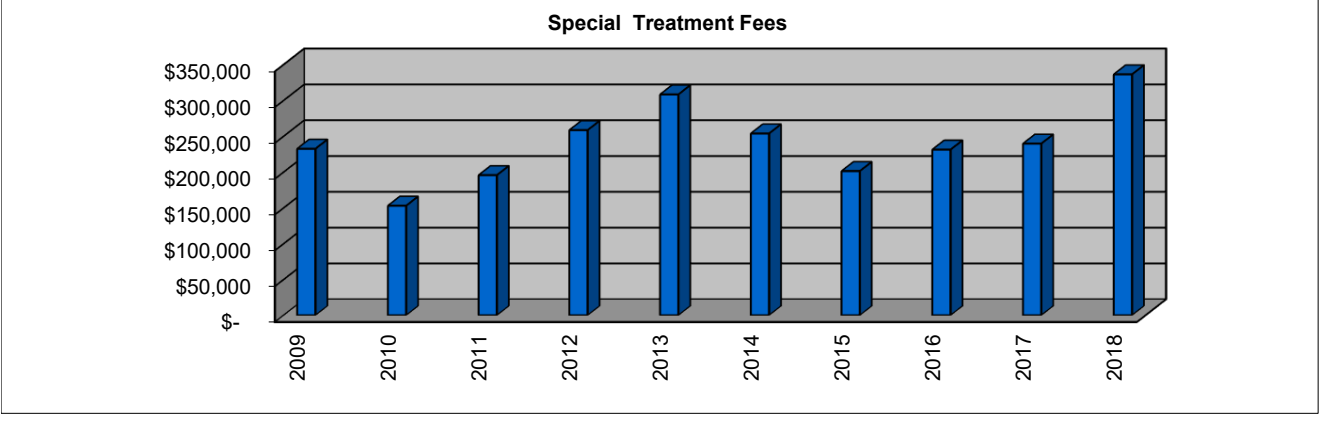
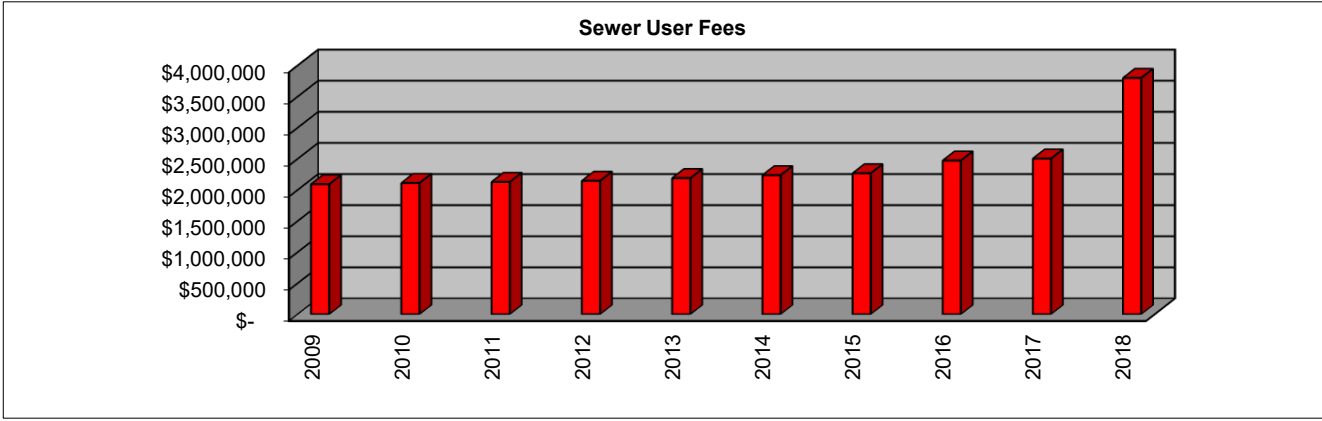
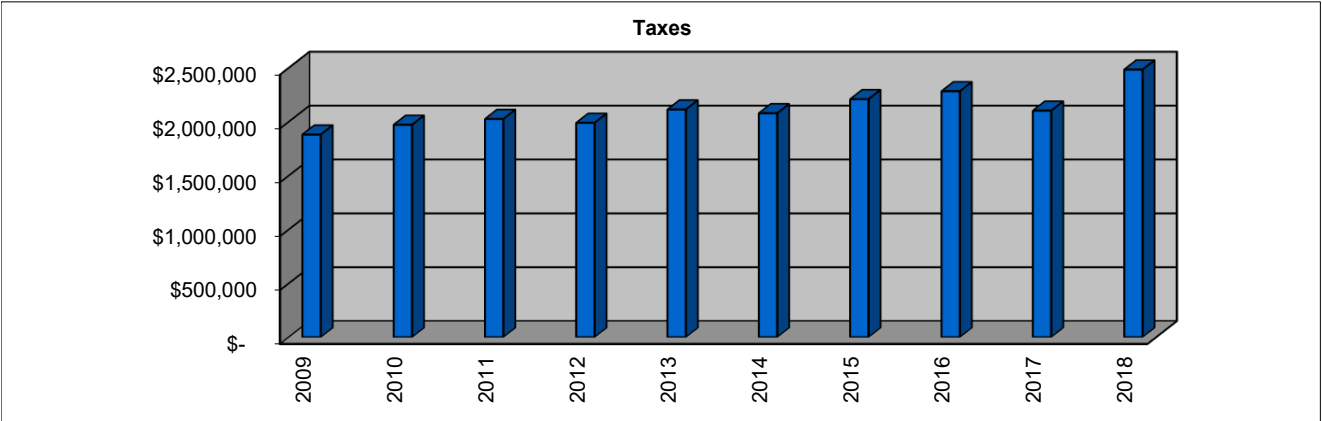
³Received in 2015 impact fee from Holly Refinery expansion in the amount of \$3,702,000

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

2017 and 2018 Miscellaneous non-operating revenue reclassified as other operating revenue

SOUTH DAVIS SEWER DISTRICT

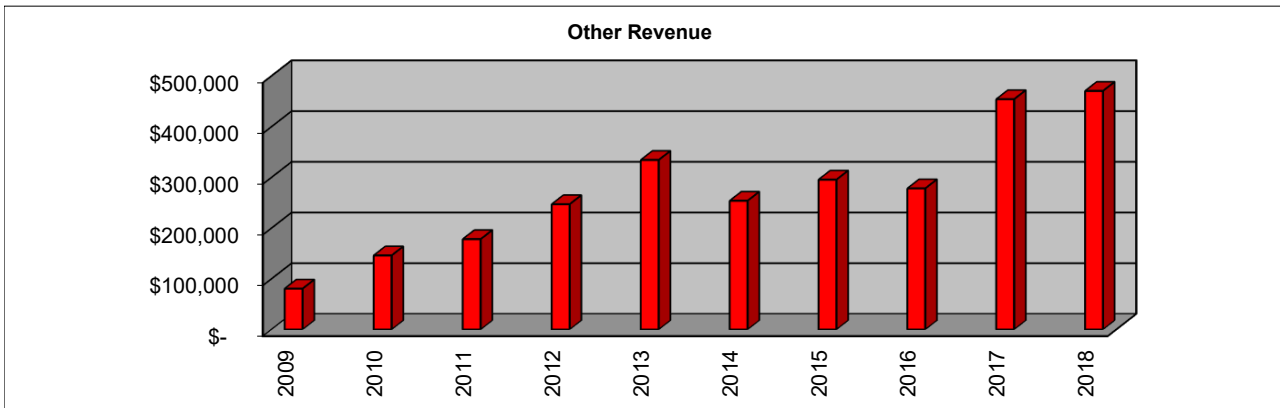
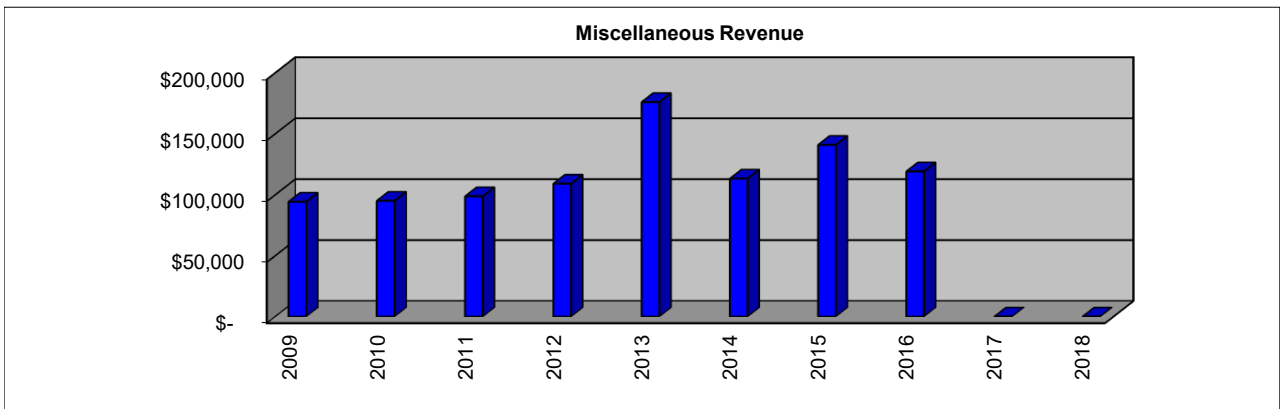
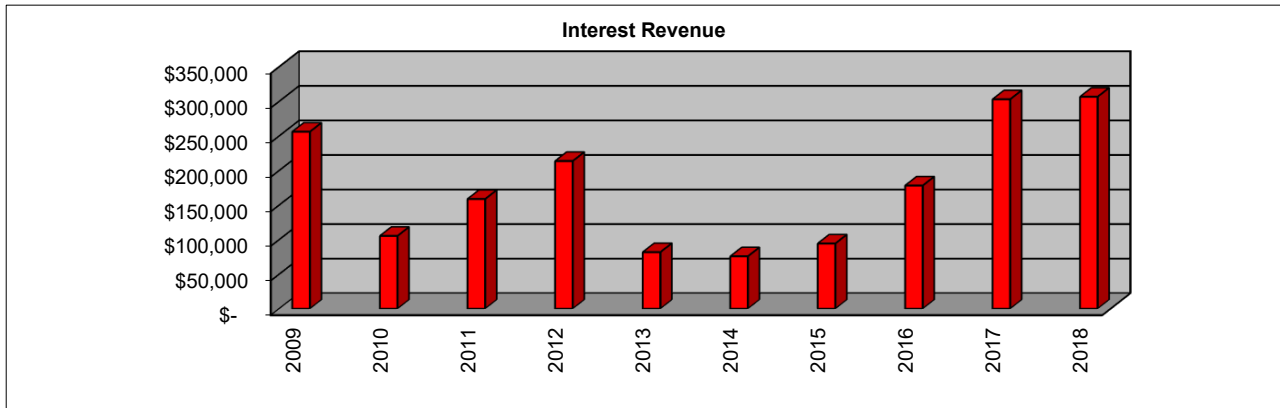
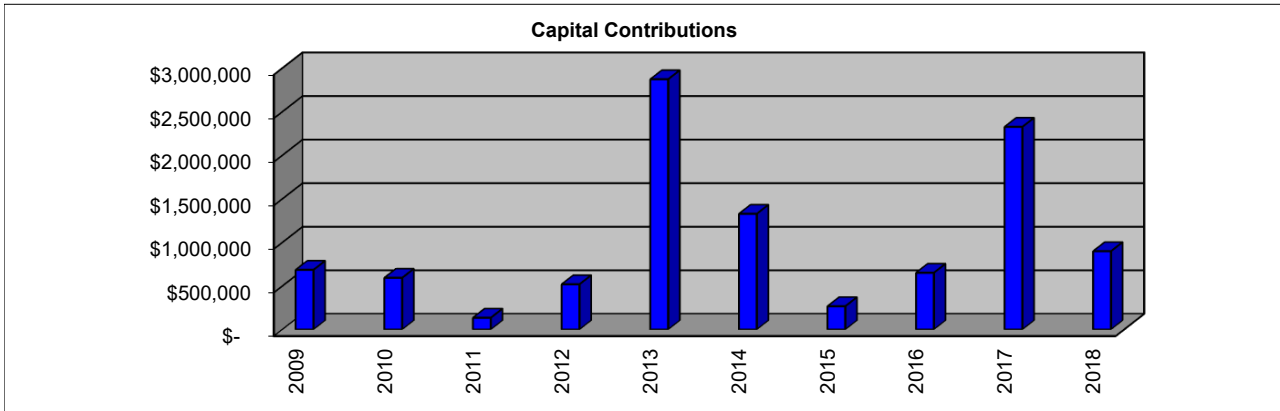
Revenues by Source (Unaudited)
Last Ten Fiscal Years



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

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited)
Last Ten Fiscal Years



Source: District financial and accounting records.

Note: 2017 and 2018 Miscellaneous non-operating revenue was reclassified to Other operating revenue

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
2009	1,917,575	1,803,654	94.1%	84,611	1,888,265	98.5%
2010	1,998,333	1,884,992	94.3%	90,230	1,975,222	98.8%
2011	1,841,535	1,705,846	92.6%	157,462	1,863,308	101.2%
2012	1,877,465	1,762,712	93.9%	72,263	1,834,975	97.7%
2013	1,942,033	1,826,818	94.1%	142,612	1,969,430	101.4%
2014	2,059,448	1,959,317	95.1%	64,576	2,023,893	98.3%
2015	2,168,606	2,072,537	95.6%	77,968	2,150,505	99.2%
2016	2,265,124	2,192,274	96.8%	52,939	2,245,213	99.1%
2017	2,335,669	2,254,880	96.5%	46,644	2,301,523	98.5%
2018	2,231,675	2,155,680	96.6%	46,080	2,201,760	98.7%

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
2009	\$60.00	\$48.00	\$1,456.00
2010	\$60.00	\$48.00	\$1,456.00
2011	\$60.00	\$48.00	\$1,456.00
2012	\$60.00	\$48.00	\$1,596.00
2013	\$60.00	\$48.00	\$1,596.00
2014	\$60.00	\$48.00	\$1,596.00
2015	\$60.00	\$48.00	\$1,596.00
2016	\$60.00	\$48.00	\$1,596.00
2017	\$60.00	\$48.00	\$1,596.00
2018	\$120.00	\$96.00	\$1,596.00

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

Notes: ¹In 1997 the District did an analytical review on impact fee costs based upon changes in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from \$600 to \$1,456. In 2011 Zions Public Finance was engaged to conduct a impact fee rate study. The results of the 2011 impact fee study was a change in the impact fee to \$1,596 in Sept 2012. Beginning July 1, 2018 a sewer service rate increase took effect.

SOUTH DAVIS SEWER DISTRICT
Principle Wastewater Contributors
For the Year Ending December 31, 2018

Schedule 9

	Business	Location	Discharged Annual (Gallons)
1	Holly Refinery*	West Bountiful	430,245,000
2	Big West Oil LLC*	North Salt Lake	196,657,000
3	Silver Eagle Refinery*	Woods Cross	61,473,000
4	Restaurants	District	45,562,000
5	Car Wash/Service Stations/Dealers	District	44,335,000
6	Medical Centers/Retirement Homes	District	31,899,000
7	Health Clubs/ Bountiful Rec. Center	District	29,355,000
8	IHC Laundry	Woods Cross	27,896,000
9	Hotels	District	24,483,000
10	Large Retail Stores	District	23,368,000
11	Schools	District	21,351,000
12	Churches	District	20,847,000
13	Air Products Manufacturing Corp	Bountiful	16,104,000
14	Lakeview Hospital	Bountiful	10,696,000
15	Zero Manufacturing Inc.*	North Salt Lake	6,678,000
16	Chevron Products	North Salt Lake	5,915,000
17	Dry Cleaners/Laundry	District	5,583,000
18	General Electric	North Salt Lake	4,695,000
19	Pilot Travel	North Salt Lake	4,623,000
20	Manuel's Fine Foods	Woods Cross	4,095,000
21	Advanced Drainage Systems	North Salt Lake	4,047,000
22	South Davis Hospital	Bountiful	3,952,000
23	Cowboy Oil	Woods Cross	3,856,000
24	Orbit Sprinklers	North Salt Lake	3,768,000
25	Windriver Petroleum	Centerville	3,471,000
26	Albertson's Distribution Center	North Salt Lake	3,112,000
27	Pipe Fab	Woods Cross	2,972,000
28	Legacy Megaplex Theater	Centerville	2,646,000
29	Benchmark Hospital	Woods Cross	2,600,000
30	Aero Tech*	North Salt Lake	2,270,000
31	Biotron Laboratories	Centerville	1,141,000
32	THB Inc	North Salt Lake	1,079,000
33	Stericycle Inc.	North Salt Lake	960,000
34	Dura-Line	North Salt Lake	953,000
35	Pioneer Pipe Line	North Salt Lake	943,000
36	Quality Plating*	Woods Cross	819,000

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

Note: *EPA categorical industry

SOUTH DAVIS SEWER DISTRICT
 Top Ten Non-Residential Customers
 For the Current Year (2018) and Nine Years Prior

Schedule 10

Account #	Rate Payer	Type of Service	<u>Annual User Fee Amount</u>	
			2018	2009
00200	Holly Refinery	Refinery	\$ 376,305	\$ 108,884
03792 & 11076	Big West Oil	Refinery	\$ 103,968	\$ 95,680
08644	Zero Mfg	Manufacturing	\$ 21,161	\$ 11,982
35963	South Davis Recreation Center	Recreation	\$ 15,051	\$ 6,425
07287	Intermountain Health Care	Health Care	\$ 13,387	\$ 8,902
30985	Lakeview Hospital	Health Care	\$ 11,877	\$ 7,809
03018	Chevron Products	Refinery	\$ 9,582	\$ 5,962
05020	Silver Eagle Oil	Refinery	\$ 9,275	\$ 5,007
08989	Air Products	Manufacturing	\$ 7,159	\$ 5,881
00345	Pioneer Pipeline	Manufacturing	\$ 4,687	\$ 4,206

Source: District accounting records & city water records

Note: South Davis Recreation Center opened in 2007

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

Schedule 11

	2018	⁴ 2017	2016	³ 2015	2014	2013	² 2012	2011	2010	¹ 2009
Net Revenues										
Operating Revenues	\$ 4,576,519	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,770,913
Operating Expenses (excluding depreciation)	(7,120,946)	(6,691,513)	(6,840,618)	(5,935,569)	(5,532,400)	(5,407,450)	(5,241,791)	(5,840,971)	(5,515,868)	(4,645,897)
General Property Tax	2,483,497	2,102,078	2,282,560	2,208,762	2,082,256	2,119,222	1,989,427	2,024,811	1,970,947	1,880,189
Impact Fees	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482
Intergovernmental Contributions	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161
Project Grant Revenue	-	-	-	-	-	69,418	178,113	-	-	-
Misc. Revenue	-	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955	74,035
Interest Income	306,480	342,773	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888
Total Net Revenues	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891	\$ (300,096)	\$ 1,307,771
Net Revenues Excluding Impact Fees										
Net Revenues	1,890,654	341,451	213,410	4,628,258	949,688	1,449,920	1,206,618	9,891	(300,096)	1,307,771
Impact Fees	(604,760)	(589,843)	(592,322)	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)
94 Net Revenues Excluding Impact Fees	\$ 1,285,894	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)	\$ (585,558)	\$ 702,289
Aggregate Debt Service*	\$ 837,244	\$ 451,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ratio of Net Revenues to Aggregate Debt Service	2.26	0.76	0	0	0	0	0	0	0	0
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	1.54	(0.55)	0	0	0	0	0	0	0	0
Minimum Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: District accounting and financial records.

Notes: ¹SDSD became the agent entity for a interlocal cooperative, the Wasatch Front Water Quality Council (WFWQC).

²Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

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

⁴Issued 20-year taxable revenue bonds to finance the construction of the WRR project \$21,195,000

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

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

Schedule 12

Year	Revenue Bonds	Population	Debt Per Capita	Personal Income	Debt as a Percentage of Personal Income	Estimated Value of Taxable Property	Debt as a Percentage of Est. Actual Value of Taxable Prop.
2009		90,800		n/a	n/a	\$ 5,731,872,686	
2010		91,200		n/a	n/a	\$ 5,407,414,676	
2011		91,500		n/a	n/a	\$ 5,170,589,665	
2012		93,900		n/a	n/a	\$ 5,275,495,186	
2013		94,257		n/a	n/a	\$ 5,380,923,009	
2014		92,794		n/a	n/a	\$ 5,860,299,292	
2015		90,719		n/a	n/a	\$ 6,065,092,075	
2016		97,252		n/a	n/a	\$ 6,573,097,642	
2017	\$ 20,748,437	98,495	\$ 211	n/a	n/a	\$ 7,504,784,496	0.276%
2018	\$ 20,783,161	99,283	\$ 209	n/a	n/a	\$ 8,181,058,833	0.254%

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

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

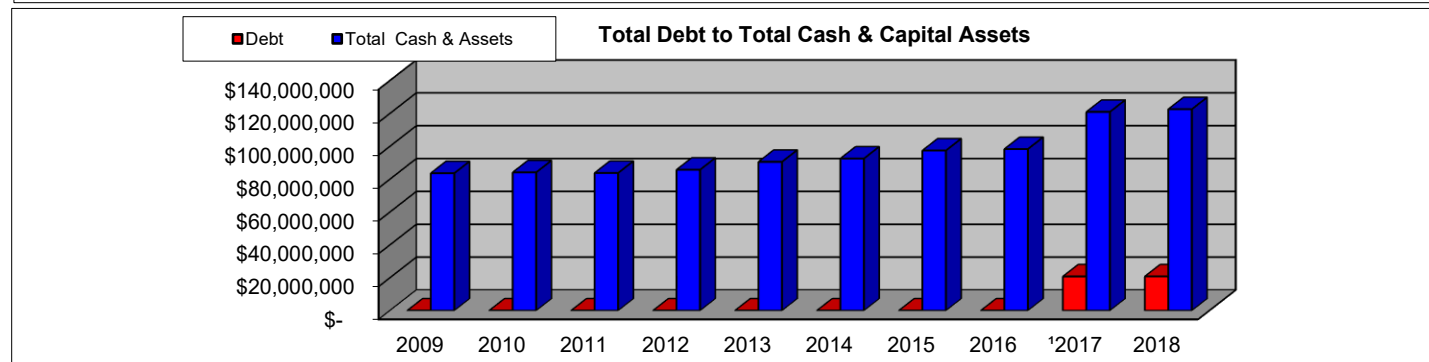
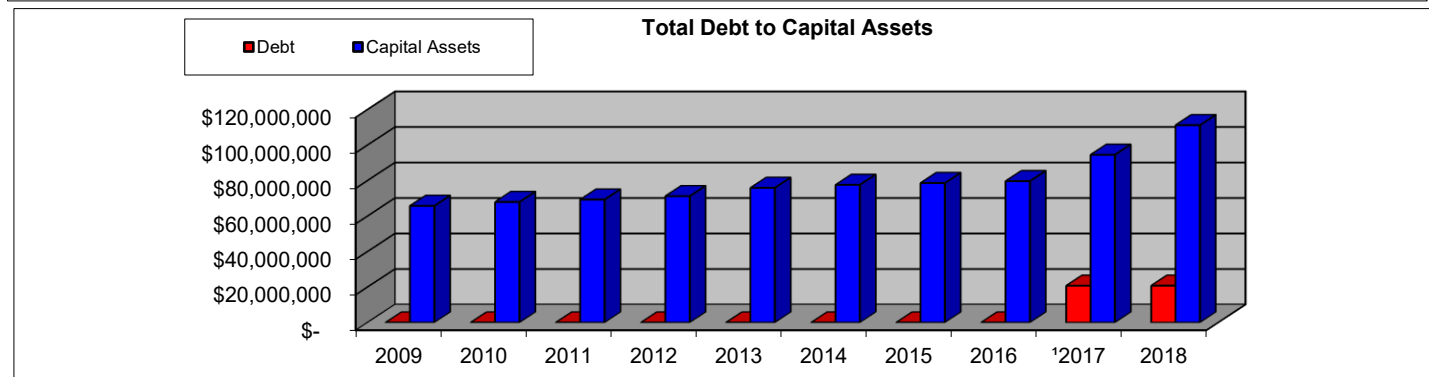
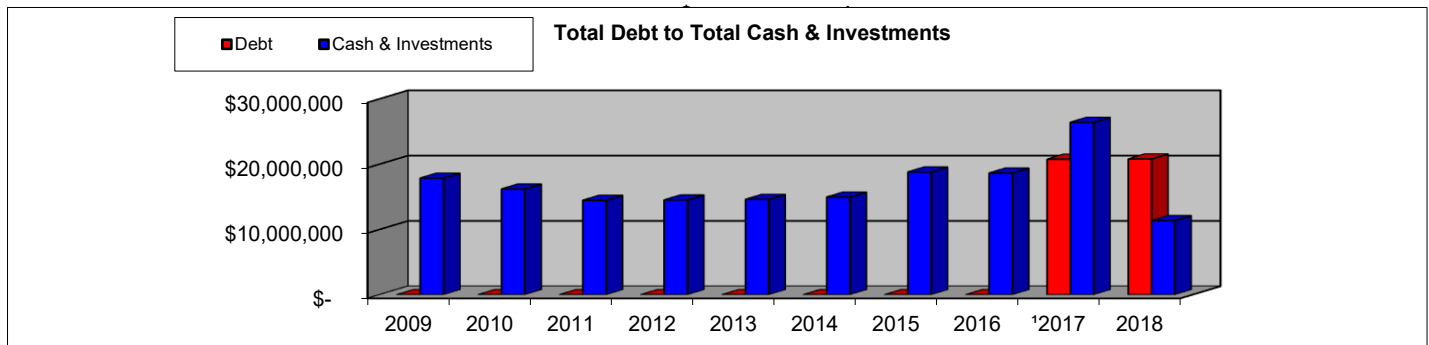
SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

Schedule 13

Last Ten Fiscal Years

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



Source: District accounting records.

Note: ¹Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project..

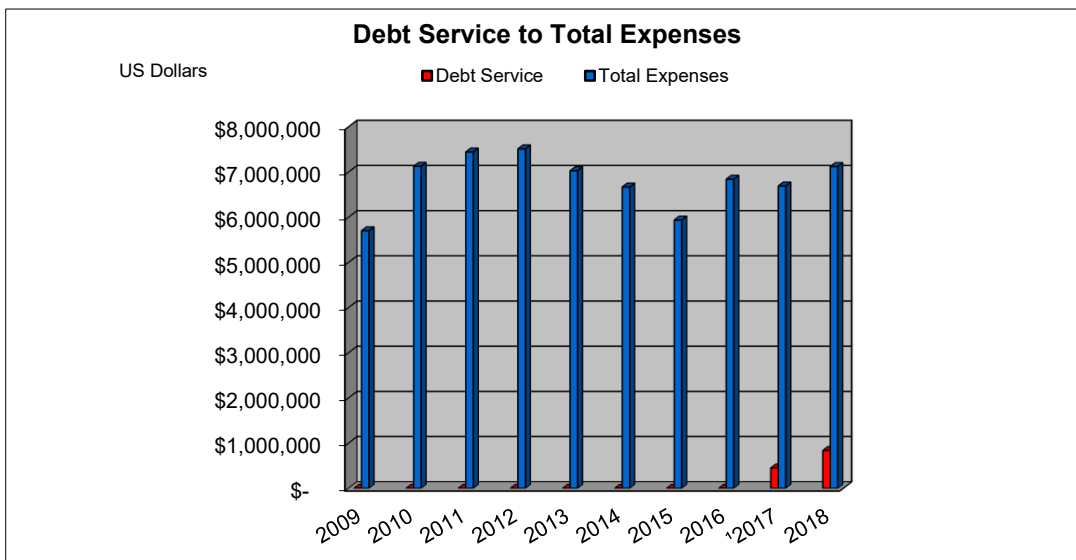
Capital assets are at historical cost (excluding depreciation).

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
2009	\$ -	\$ 5,699,282	0.00%
2010	\$ -	\$ 7,125,947	0.00%
2011	\$ -	\$ 7,443,546	0.00%
2012	\$ -	\$ 7,512,322	0.00%
2013	\$ -	\$ 7,027,863	0.00%
2014	\$ -	\$ 6,667,837	0.00%
2015	\$ -	\$ 5,935,569	0.00%
2016	\$ -	\$ 6,840,618	0.00%
2017	\$ 451,461	\$ 6,691,513	6.75%
2018	\$ 837,173	\$ 7,120,946	11.76%



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

Notes: ¹Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.
 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
2009	\$ -		\$ -	88,800	\$ -
2010	\$ -		\$ -	90,576	\$ -
2011	\$ -		\$ -	92,390	\$ -
2012	\$ -		\$ -	93,900	\$ -
2013	\$ -		\$ -	94,257	\$ -
2014	\$ -		\$ -	95,200	\$ -
2015	\$ -		\$ -	96,250	\$ -
2016	\$ -		\$ -	97,252	\$ -
2017	\$ -	\$ 451,461	\$ 451,461	98,737	\$ 4.57
2018	\$ -	\$ 837,173	\$ 837,173	99,283	\$ 8.43

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

Notes: ¹Issued Revenue Bonds May 17, 2017 for \$21,195,000 to finance renewable energy project
 Bond payments are semi-annual and due every December 1st and June 1st
 The first principle and interest payment is due December 1, 2019

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

Schedule 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Per Capita Income</u>	<u>Personal Income</u>	<u>Annualized % Unemployment Rate</u>	<u>Total Public School Enrollment</u>
2009	306,479	6,069	1,339	\$33,104	\$10,184,644,224	5.90%	65,452
2010	307,657	5,799	1,329	\$33,671	\$10,364,200,343	6.70%	66,019
2011	312,603	5,704	1,410	\$34,309	\$10,697,797,530	6.20%	71,232
2012	317,248	5,844	1,472	\$37,127	\$11,724,122,000	5.30%	68,342
2013	322,094	5,720	1,612	\$38,165	\$12,292,741,914	4.20%	68,571
2014	329,492	5,772	1,684	\$38,427	\$12,661,524,171	3.60%	69,139
2015	336,043	5,870	1,710	\$38,809	\$13,041,369,897	3.30%	69,879
2016	342,281	5,687	1,762	\$41,339	\$14,149,554,259	3.30%	71,021
2017	347,637	5,473	1,826	\$42,372	\$15,332,877,522	3.10%	71,908
2018	351,713	5,282	1,892	n/a	n/a	2.90%	72,264

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

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

2018 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 (2018) and Nine Years Ago

Schedule 17

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
			<u>159,781</u>			<u>136,426</u>
Hill Air Force Base	10000-14999	1	9.23%	10000-14999	1	11.0%
Davis County School District	7000-9999	2	6.15%	5000-6999	2	5.1%
Kroger Group Cooperative	1000-1999	3	1.23%	700-999	5	0.7%
Lifetime Products	1000-1999	4	1.23%	1000-1999	4	1.5%
Walmart	1000-1999	5	1.23%	1000-1999	6	1.5%
Lagoon Inc.	1000-1999	6	1.23%	1000-1999	3	1.5%
Utility Trailer Manufacturing	1000-1999	7	1.23%	1000-1999	7	1.5%
ATK Space Systems	1000-1999	8	1.23%	1000-1999	10	1.5%
Davis County	500-999	9	0.61%	700-999	16	0.7%
Alliant	500-999	10	0.61%	700-999	8	0.7%
Davis Hospital & Medical Center	500-999	11	0.61%	500-699	12	0.5%
Davis County	500-999	12	0.61%	500-699	9	0.5%
Albertsons	250-499	13	0.61%	250-499	13	0.4%
Citicorp Credit Services	250-499	14	0.61%	500-699	11	0.5%
Lakeview Hospital	250-499	15	0.61%	250-499	15	0.4%
Northrop Grumman	250-499	16	0.31%	500-699	17	0.5%
Totals	<u>20,600-42,984</u>		<u>27.37%</u>	<u>24,590-34,784</u>		<u>28.3%</u>

Source: Utah Department of Workforce Services, Davis County.

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

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

Overlapping Rates

Fiscal Year	South Davis Sewer District	Bountiful City	Centerville City	West Bountiful City	Woods Cross City	North Salt Lake City	Davis County	Davis County Library	Weber Basin Water	South Davis Water	Bountiful Irrigation District	Mosquito Abatement	South Davis Recreation District	Total Direct & Overlapping Rates
	2009	0.000270	0.000903	0.000923	0.001204	0.000646	0.001258	0.007390	0.000332	0.000181	0.000228	0.000110	0.000088	0.000340
2010	0.000290	0.000948	0.000997	0.001384	0.000690	0.001396	0.007651	0.000348	0.000188	0.000290	0.000113	0.000093	0.000356	0.014744
2011	0.000315	0.001037	0.001102	0.001366	0.000840	0.00152	0.008416	0.000363	0.000207	0.000240	0.000122	0.000097	0.000379	0.016004
2012	0.000329	0.001093	0.001173	0.001997	0.001049	0.001637	0.011244	0.000392	0.000217	0.000248	0.000130	0.000104	0.000407	0.020020
2013	0.000330	0.001094	0.001165	0.001951	0.001058	0.001637	0.013931	0.000396	0.000215	0.000253	0.000131	0.000105	0.000399	0.022665
2014	0.000301	0.000946	0.001072	0.001788	0.000913	0.001541	0.008637	0.000361	0.000199	0.000246	0.000120	0.000124	0.000338	0.016586
2015	0.000303	0.000957	0.001088	0.001806	0.000927	0.001517	0.012221	0.000361	0.000196	0.000250	0.000120	0.000122	0.000334	0.020202
2016	0.000287	0.000890	0.000983	0.001684	0.001057	0.001622	0.010139	0.000342	0.000187	0.000234	0.000110	0.000116	0.000306	0.017957
2017	0.000264	0.000832	0.001354	0.001566	0.001003	0.001450	0.012161	0.000376	0.000174	0.000214	0.000103	0.000107	0.000279	0.019883
2018	0.000245	0.000880	0.001275	0.001449	0.000935	0.001355	0.012090	0.000349	0.000164	0.000202	0.000096	0.000119	0.000257	0.019416

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

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

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SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2018

Schedule 19

1	Davis County Jail Bond	0.000062
2	Bountiful Irrigation District	0.000096
3	Davis County Mosquito Abatement	0.000119
4	Weber Basin Water	0.000164
5	Central Davis Sewer District	0.000178
6	Davis County Assess & Collect	0.000193
7	South Davis Water District	0.000202
8	South Davis Sewer District	0.000245
9	South Davis Recreation Center	0.000257
10	Hooper Water Improvement	0.000312
11	Benchland Water District	0.000346
12	Davis County Library	0.000349
13	Central Weber Sewer District	0.000649
14	North Davis Sewer District	0.000869
15	Bountiful City	0.000880
16	West Point City	0.000917
17	Woods Cross City	0.000935
18	North Davis Fire District	0.001205
19	Davis County	0.001209
20	Centerville City	0.001275
21	North Salt Lake City	0.001355
22	West Bountiful City	0.001449
23	Syracuse City	0.001512
24	Layton City	0.001521
25	Kaysville City	0.001589
26	Clearfield City	0.001607
27	Utah Statewide School Rate	0.001666
28	Farmington City	0.001765
29	Sunset City	0.001766
30	Clinton City	0.001794
31	Fruit Heights City	0.002027
32	Davis County School District	0.005965

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

SOUTH DAVIS SEWER DISTRICT
 Principle Tax Payers (Unaudited)
 For the Current Year 2018 and Nine Years Prior

Schedule 20

Assessed Taxable Value						
Tax Payer	City	2018 Personal Property	2018 Real Property	2018 Total	2009 Total	
1 Holly Refinery	Woods Cross	\$ 338,637,483	\$ 29,798,926	\$ 368,436,409	\$ 180,908,244	
2 Chevron USA Inc.	County/NSL	\$ 350,930,149	\$ 15,259,917	\$ 366,190,066	\$ 168,894,159	
3 Big West Oil	North Salt Lake	\$ 135,824,834	\$ 15,277,451	\$ 151,102,285	\$ 128,305,069	
4 Pacificorp	Centerville	n/a	\$ 69,507,376	\$ 69,507,376	\$ 30,305,009	
5 WBC Partners/West	West Bountiful	n/a	\$ 50,161,351	\$ 50,161,351	\$ 21,683,758	
6 IGI RE Holdings WX LLC	West Bountiful	\$ 38,986,047	\$ 4,873,182	\$ 43,859,229	\$ 30,796,258	
7 FedEx Ground Package Sys	North Salt Lake	\$ 28,187,357	\$ 10,115,518	\$ 38,302,875	n/a	
8 Hospital Corporation of Utah	Woods Cross	\$ 12,158,537	\$ 25,279,031	\$ 37,437,568	\$ 33,763,854	
9 Questar Gas	Bountiful	n/a	\$ 36,277,802	\$ 36,277,802	n/a	
10 ABS UT- (Albertsons)	North Salt Lake	\$ 5,614,873	\$ 26,897,210	\$ 33,319,952	\$ 32,132,235	
11 Eaglewood Loft LLC	North Salt Lake	\$ 369,844	\$ 31,868,893	\$ 32,238,737	\$ 28,197,959	
12 J & S Purpura Ventures	Centerville	\$ 1,835,618	\$ 22,223,042	\$ 24,058,660	\$ 18,926,175	
13 Village Glen Main LLC	Woods Cross	n/a	\$ 19,795,955	\$ 19,795,955	\$ 13,089,329	
14 Bountiful Corner LLC	Bountiful	n/a	\$ 18,985,200	\$ 18,985,200	n/a	
15 Legacy Crossing LLC	Centerville	\$ 2,294,497	\$ 27,683,651	\$ 18,479,296	n/a	

Source: Davis County Clerk/Auditor's Office

Notes: 2018 Certified Tax Rate = 0.000245 . Year end property values for the District were:

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

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

SOUTH DAVIS SEWER DISTRICT
 Operator Certification Program (Unaudited)
 For the Year Ending December 31, 2018

Schedule 21

Employee	Collection Operator Certification Level	Treatment Operator Certification Level
Curtis D. Bohman	Grade IV	
Mike C. Bradshaw	Grade IV	Grade I
Jason D. Dlugas	Grade IV	
Shane E. Fleming	Grade IV	
Skyjay T. Galli	Grade I	
Corry J. King		Grade IV
Eddie D. Marsing	Grade IV	Grade IV
Marty G. Marsing	Grade IV	
Mason D. Marsing		Grade I
Brent M. Maxwell	Grade IV	Grade IV
Timothy E. Munden		Grade IV
Matthew J. Myers	Grade IV	Grade IV
Eric S. Nemcek		Grade IV
Tyler P. Nemcek	Grade I	
Jeffrey K Perkins		Grade IV
David R. Peterson		Grade IV
Jedd C. Powell		Grade IV
Brandon S. Rice	Grade IV	
Jacob U.Scott	Grade IV	
Earl W. Seely		Grade IV
Carl E. Trimming	Grade IV	
Dal D. Wayment	Grade IV	Grade IV
Zane R. Young		Grade IV

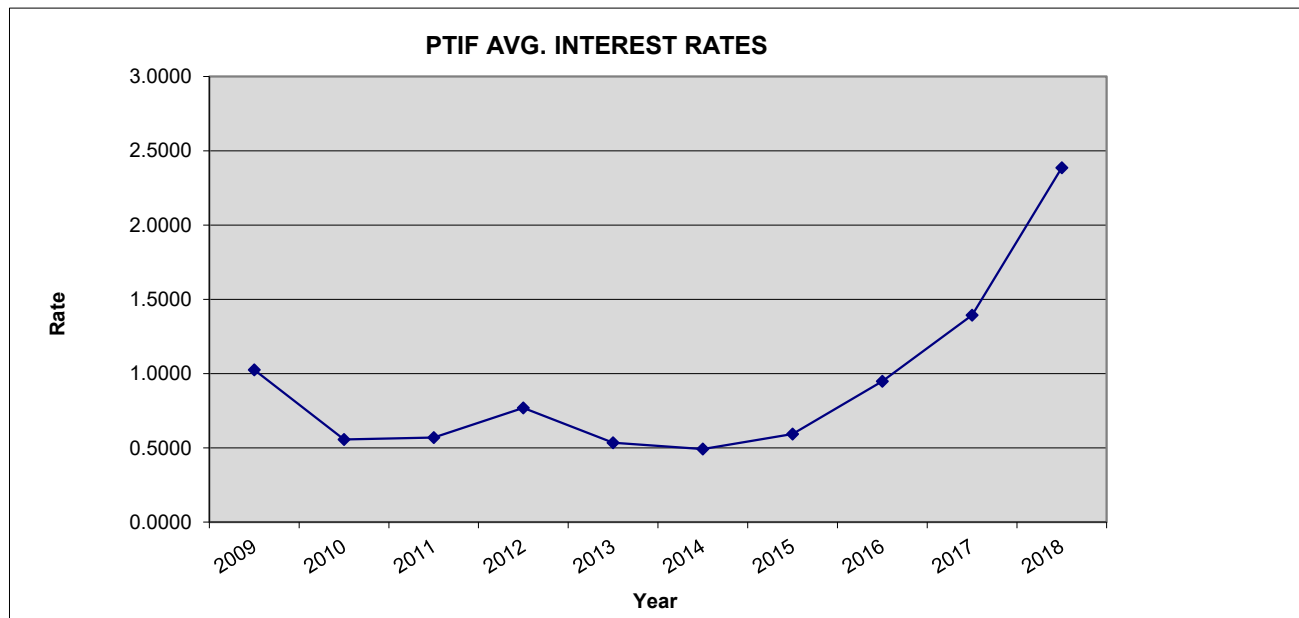
Source: District employment records and State of Utah, Division of Water Quality records.

Notes: In accordance with Section 19-5-104 of the Utah Code, wastewater operators, 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
 Public Treasurer Investment Fund (PTIF) Interest Rates (Unaudited)
 Last Ten Fiscal Years

Schedule 22

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jan	1.8558	0.5955	0.4812	0.7496	0.6499	0.5074	0.5073	0.7460	1.1806	1.7291
Feb	1.3798	0.5518	0.4900	0.7949	0.6120	0.5070	0.5184	0.7796	1.2007	1.8649
Mar	1.2600	0.5605	0.5102	0.7937	0.5739	0.5023	0.5294	0.8224	1.2217	2.0302
Apr	1.1700	0.5649	0.5362	0.7941	0.5295	0.4992	0.5475	0.8517	1.2651	2.2008
May	1.1170	0.5833	0.5374	0.7917	0.4902	0.4879	0.5559	0.8997	1.2858	2.3517
Jun	1.0107	0.5965	0.5463	0.7894	0.5046	0.4799	0.5610	0.9093	1.3431	2.5007
Jul	0.9296	0.5959	0.5455	0.7877	0.5115	0.4693	0.5791	0.9429	1.4084	2.5801
Aug	0.8489	0.5851	0.5577	0.7791	0.4962	0.4699	0.6098	0.9968	1.4782	2.5836
Sep	0.7592	0.5622	0.5961	0.7784	0.5126	0.4767	0.6368	1.0597	1.5280	2.5979
Oct	0.6968	0.5167	0.6336	0.7484	0.5143	0.4850	0.6593	1.0982	1.5621	2.6486
Nov	0.6396	0.4878	0.6790	0.7235	0.5150	0.5071	0.6824	1.1231	1.6053	2.7387
Dec	0.6255	0.4813	0.7190	0.6908	0.5103	0.5077	0.7244	1.1457	1.6340	2.8036
Avg	1.0244	0.5568	0.5694	0.7684	0.5350	0.4916	0.5926	0.9479	1.3928	2.3858



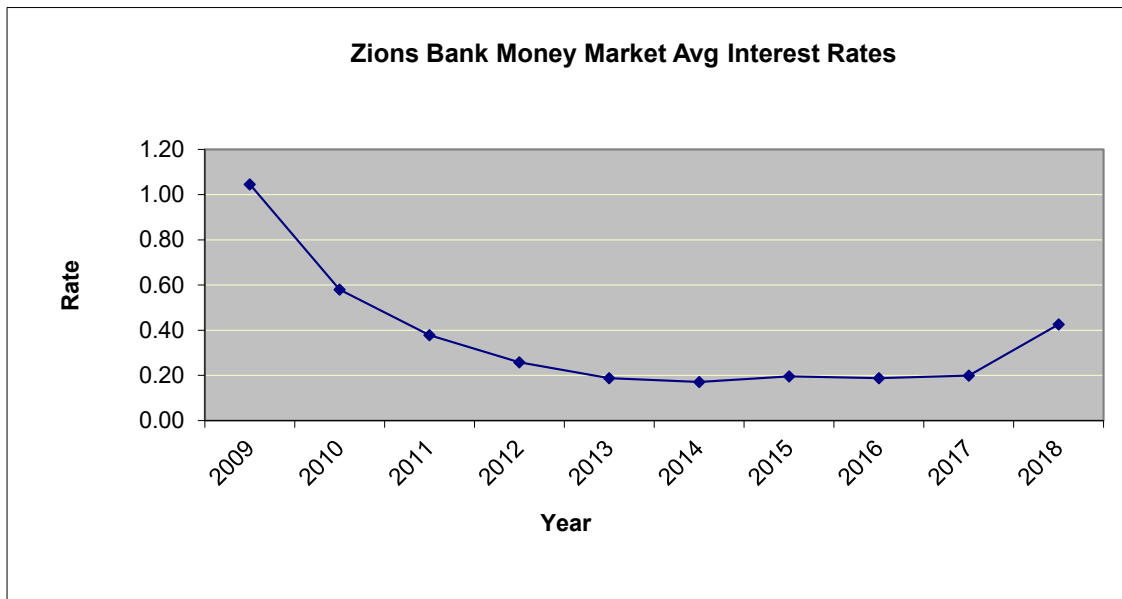
Source: Utah State Treasurer's Office

Notes: Interest calculated based on the 365 day rate

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

Schedule 23

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jan	1.50	0.90	0.60	0.30	0.20	0.20	0.20	0.20	0.20	0.53
Feb	1.35	0.70	0.40	0.30	0.20	0.20	0.20	0.40	0.20	0.58
Mar	1.20	0.50	0.47	0.25	0.20	0.15	0.20	0.15	0.20	0.64
Apr	1.00	0.50	0.38	0.20	0.20	0.20	0.19	0.15	0.19	0.25
May	0.85	0.65	0.37	0.20	0.15	0.20	0.19	0.15	0.20	0.28
Jun	1.00	0.50	0.36	0.20	0.20	0.15	0.19	0.15	0.20	0.29
Jul	1.15	0.65	0.50	0.30	0.20	0.15	0.19	0.20	0.20	0.40
Aug	1.00	0.65	0.35	0.25	0.20	0.15	0.20	0.20	0.20	0.39
Sep	1.00	0.57	0.30	0.50	0.15	0.20	0.20	0.15	0.20	0.41
Oct	1.00	0.50	0.30	0.20	0.15	0.15	0.19	0.15	0.20	0.47
Nov	1.00	0.44	0.25	0.20	0.20	0.15	0.20	0.20	0.20	0.50
Dec	0.50	0.40	0.25	0.20	0.20	0.15	0.20	0.15	0.20	0.37
Avg	1.05	0.58	0.38	0.26	0.19	0.17	0.20	0.19	0.20	0.43



Source: Zions Bank
 Notes: Interest calculated based on the 365 day rate.

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

Schedule 24

Year	Number of New Dwelling Units	Residential Construction Value (\$000)	Nonresidential Construction Value (\$000)	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential (\$000)	Nonresidential (\$000)	
2009	1,061	189,750	71,933	18,220	20,802	300,706
2010	993	205,706	66,277	17,868	29,131	318,982
2011	1,334	239,784	56,404	17,981	44,765	358,934
2012	2,033	332,625	48,848	20,712	24,552	426,743
2013	632	122,334	27,274	4,498	15,155	169,263
2014	1,643	316,597	139,616	25,621	40,291	522,126
2015	1,693	366,998	370,979	28,640	52,720	522,126
2016	1,721	377,935	172,821	29,958	73,250	653,965
2017	1,870	382,116	157,539	23,864	44,383	607,902
2018	2,996	466,100	140,231	41,588	46,912	694,833
10-year Avg.	1,598	299,995	125,192	22,895	39,196	457,558

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

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

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

Schedule 25

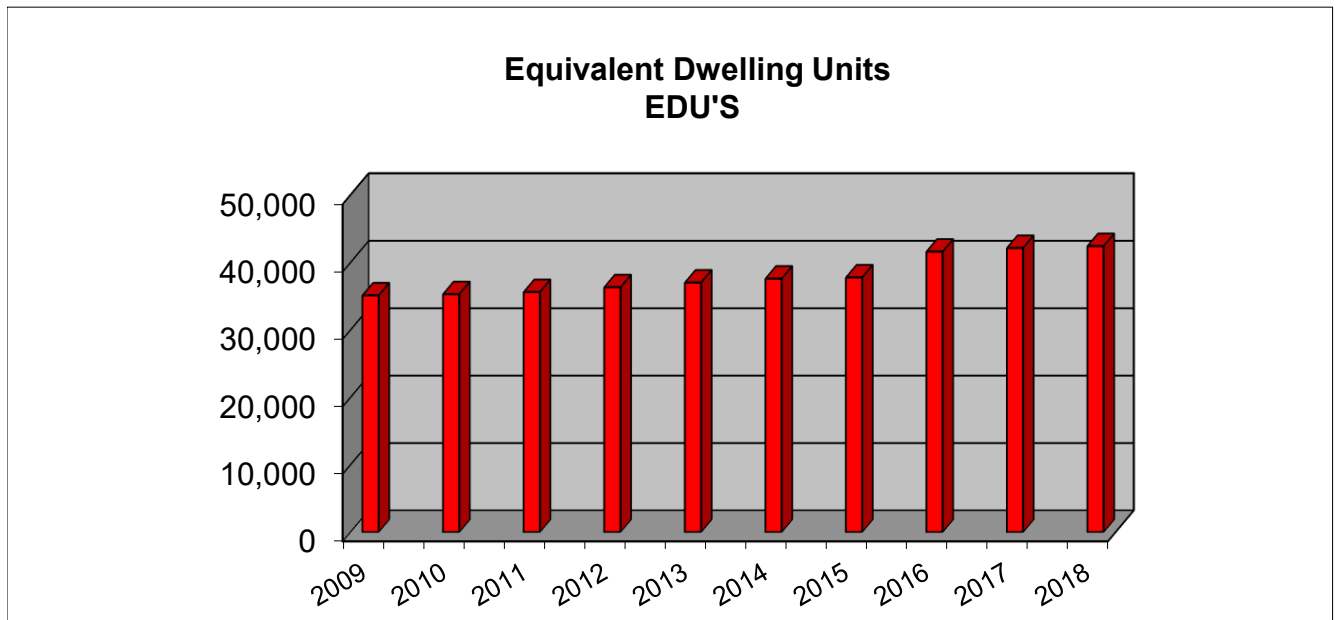
Fiscal Year	Function/Department						Total
	Treatment Plants	Collection System	Maintenance	Engineering/Administration	Industrial Pretreatment	Water Research	
2008	7	6	2	5	1		21
¹ 2009	7	6	2	7	1	1	24
2010	7	6	2	7	1	1	24
2011	7	7	2	7	1	1	25 ²
2012	7	8	2	6	1	1	25
2013	7	8	2	6	1	1	25
2014	7	8	2	6	1	1	25
2015	7	8	2	6	1	1	25
2016	7	8	2	6	1	1	25
² 2017	9	8	2	6	1	1	27
³ 2018	7	7	2	7	1	1	25
Average	7.9	8	2.2	6.9	1.1	1	24.6

Source: District employment records

Notes: Full time employees are scheduled to work 2,080 hours per year (Including vacation, and sick leave).
¹2009 a research scientist was hired to assist the Wasatch Front Water Quality Council, TMDL project
²2017, two treatment plant operators were hired for the ABNR project
³2018 one employee was transferred from Collection System to Engineering (EIT)

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

<u>YEAR</u>	<u>EDU'S</u>
2009	35,096
2010	35,284
2011	35,591
2012	36,309
2013	37,005
2014	37,587
2015	37,762
2016	41,589
2017	42,136
2018	42,410



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 102,200 gallons of water allowed annually.

The District has approximately 27,600 customer accounts as of 12/31/18

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Assets Summary (Unaudited)
 For the Year Ended December 31, 2018

Schedule 27

COST

ACCUMULATED DEPRECIATION

110

Acct #	Description	Balances					Balances	Acct #	Balances					
		12/31/17	Additions	Deletions	Transfers	Adjust			12/31/18	12/31/17	Depreciation Expense	Asset Deposal	Transfers	12/31/18
						-0-								
182000	0.01 Building & Facilities	2,710,249.55	-0-	-0-	-0-	-0-	\$ 2,710,249.55	182100	0.01	(104,813.66)			-0-	(104,813.66)
182000	0.02 Building & Facilities	21,597,043.90	-0-	-0-	-0-	-0-	21,597,043.90	182100	0.02	(8,611,802.97)			-0-	(8,611,802.97)
184000	0.02 Improvements Other Than Bldgs	28,892.78	-0-	-0-	-0-	-0-	28,892.78	184000	0.02				-0-	-0-
188000	0.04 Construction in Progress	12,767,821.43	\$ 15,763,995.19	-0-	-0-	-0-	28,531,816.62	188000	0.04				-0-	-0-
189000	0.01 Outfall/Sewer Lines	42,502,920.36	1,027,608.00	-0-	-0-	-0-	43,530,528.36	189110	0.01	(3,666,414.62)			-0-	(3,666,414.62)
189000	0.02 Outfall/Sewer Lines	5,748,121.05	-0-	-0-	-0-	-0-	5,748,121.05	189110	0.02	(1,290,559.59)			-0-	(1,290,559.59)
189000	0.04 Outfall/Sewer Lines	-	-0-	-0-	-0-	-0-	-0-	189110	0.04				-0-	-0-
189200	0.01 Operation & Sup Equip.	496,376.76	-0-	-0-	-0-	-0-	496,376.76	189210	0.01	(279,582.07)	(29,701.00)		-0-	(309,283.07)
189200	0.02 Operation & Sup Equip.	569,826.36	140,619.38	-0-	-0-	-0-	710,445.74	189210	0.02	(158,667.85)	(31,899.13)		-0-	(190,566.98)
189300	0.01 Tools & Test Equip.	237,773.88	-0-	-0-	-0-	-0-	237,773.88	189310	0.01	(406,148.81)	(2,385.03)		-0-	(408,533.84)
189300	0.02 Tools & Test Equip.	182,735.25	-0-	-0-	-0-	-0-	182,735.25	189310	0.02	(242,111.70)	(1,569.94)		-0-	(243,681.64)
189300	0.03 Tools & Test Equip.	108,736.04	-0-	-0-	-0-	-0-	108,736.04	189310	0.03	(110,637.62)	-0-		-0-	(110,637.62)
189300	0.05 Tools & Test Equip.	247,530.85	-0-	-0-	-0-	-0-	247,530.85	189310	0.05	(197,796.84)	(3,650.44)		-0-	(201,447.28)
189400	0.01 Mobile Equipment	2,434,008.11	177,468.71	(385,333.59)	-0-	-0-	2,226,143.23	189410	0.01	(1,211,613.61)	(148,605.85)	343,062.11	-0-	(1,017,157.35)
189400	0.02 Mobile Equipment	1,229,187.92	274,511.65	(243,550.00)	-0-	-0-	1,260,149.57	189410	0.02	(685,269.30)	(33,849.52)	60,979.18	-0-	(658,139.64)
189400	0.03 Mobile Equipment	22,437.03	-0-	-0-	-0-	-0-	22,437.03	189410	0.03	(13,462.23)	(4,487.41)		-0-	(17,949.64)
189500	0.01 Office Furn. & Equip.	208,828.56	23,283.00	-0-	-0-	-0-	232,111.56	189510	0.01	(215,447.39)	(18,963.46)		-0-	(234,410.85)
189500	0.02 Office Furn. & Equip.	248,129.91	-0-	-0-	-0-	-0-	248,129.91	189510	0.02	(280,264.35)	(10,779.62)		-0-	(291,043.97)
189500	0.03 Office Furn. & Equip.	4,849.56	-0-	-0-	-0-	-0-	4,849.56	189510	0.03	(4,702.60)	-0-		-0-	(4,702.60)
189600	0.01 Land & Right-Of-Ways	421,632.89	-0-	-0-	-0-	-0-	421,632.89							
189600	0.02 Land & Right-Of-Ways	2,727,229.91	-0-	(78,295.00)	-0-	-0-	2,648,934.91							
189600	0.04 Land & Right-Of-Ways	-	-0-	-0-	-0-	-0-	-0-							
		\$ 94,494,332.10	\$ 17,407,485.93	\$ (707,178.59)	\$ -	\$ -	\$ 111,194,639.44			(17,479,295.21)	(285,891.40)	404,041.29	-0-	(17,361,145.32)

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 Asset Additions (Unaudited)
For the Year Ended December 31, 2018

Schedule 28

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
BUILDINGS AND FACILITIES (182000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IMPROVEMENTS OTHER THAN BUILDINGS (184000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)							
ABNR Facility Construction (Clearas)	6518				\$ 2,518,086.34		\$ 2,518,086.34
ABNR Facility Construction (Aqua Engineering)	6518				777,105.22		777,105.22
ABNR Facility Construction (SDSD)	6518				345,465.26		345,465.26
ABNR Facility Construction (Alder Construction)	6518				662,527.91		662,527.91
WRR Facility Construction (Alder Construction Draws 9-20)	6519				11,460,810.46		11,460,810.46
SUBTOTAL		\$ -	\$ -	\$ -	\$ 15,763,995.19	\$ -	\$ 15,763,995.19
OUTFALL/SEWER LINES (189000)							
Highgate Subdivision Trunkline	4998	\$ 279,697.00					\$ 279,697.00
2018 Contributed Deeded Sewer Lines	6078	747,911.00					747,911.00
SUBTOTAL		\$ 1,027,608.00	\$ -	\$ -	\$ -	\$ -	\$ 1,027,608.00
OPERATION & SUPPORT EQUIPMENT (189200)							
HH Boiler (NP)	752		87,383.00				\$ 87,383.00
Belt Press (SP)	6520		53,236.38				53,236.38
SUBTOTAL		\$ -	\$ 140,619.38	\$ -	\$ -	\$ -	\$ 140,619.38
TOOLS AND TEST EQUIPMENT (189300)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
MOBILE EQUIPMENT (189400)							
Kubota Mini Excavator (CS)	3000	\$ 47,343.23					\$ 47,343.23
2018 Ford F350 Truck (CS) Superintendent	2998	65,514.37					65,514.37
2018 Ford F350 Truck (CS) Inspector	2999	64,611.11					64,611.11
John Deere FE 4WD Loader	2995		129,850.00				129,850.00
2004 Freightliner FL70 Maintenance Truck	2994		30,426.79				30,426.79
2018 Ford F350 Truck (SP) Plant	2996		57,117.43				57,117.43
2018 Ford F350 Truck (SP) Plant	2997		57,117.43				57,117.43
SUBTOTAL		\$ 177,468.71	\$ 274,511.65	\$ -	\$ -	\$ -	\$ 451,980.36
OFFICE FURNITURE & EQUIPMENT (189500)							
GIS Development Engineering Azteca/Hendrickson	4200	\$ 23,283.00					\$ 23,283.00
SUBTOTAL		\$ 23,283.00	\$ -	\$ -	\$ -	\$ -	\$ 23,283.00
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
GRAND TOTAL		\$ 1,228,359.71	\$ 415,131.03	\$ -	\$ 15,763,995.19	\$ -	\$ 17,407,485.93

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 Asset Disposals (Unaudited)
For the Year Ended December 31, 2018

Schedule 29

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		\$ -	\$ -	\$ -	-0-	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
GapVax Jet Washer MC2008	3505	\$ 328,483.59				\$ 328,483.59
2017 Ford F150 4x4 Crewcab Truck	3553	56,850.00				56,850.00
2017 Ford F150 4x4 Crewcab Truck	3552		\$ 56,850.00			56,850.00
2017 Ford F150 4x4 Crewcab Truck	3554		56,850.00			56,850.00
John Deere 544 K Loader (Buyback)	3555		129,850.00			129,850.00
SUBTOTAL		\$ 385,333.59	\$ 243,550.00	\$ -	\$ -	\$ 628,883.59
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188600)						
West Bountiful City Land Sale (5.59 Acres)	8011		\$ 78,295.00			\$ 78,295.00
SUBTOTAL		-0-	\$ 78,295.00	-0-	-0-	78,295.00
GRAND TOTAL		\$ 385,333.59	\$ 321,845.00	\$ -	\$ -	\$ 707,178.59

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, 2018

Schedule 30

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

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
Investment in Capital Assets Construction in Progress (CIP) (Unaudited)
For the Year Ended December 31, 2018

Schedule 31

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
WRR Energy Project Alder Construction (Draws 9-20)	6519				11,460,810.46	11,460,810.46
ABNR Facility Construction (Clearas)	6518				2,518,086.34	2,518,086.34
ABNR Facility Construction (SDSD)	6518				345,465.26	345,465.26
ABNR Facility Construction (Alder Construction)	6518				662,527.91	662,527.91
ABNR Facility Aqua Engineering	6517				777,105.22	777,105.22
SUBTOTAL		\$ -	\$ -	\$ -	\$ 15,763,995.19	\$ 15,763,995.19
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	\$ -	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ 15,763,995.19	\$ 15,763,995.19

Source: District capital asset records

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

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

Schedule 32

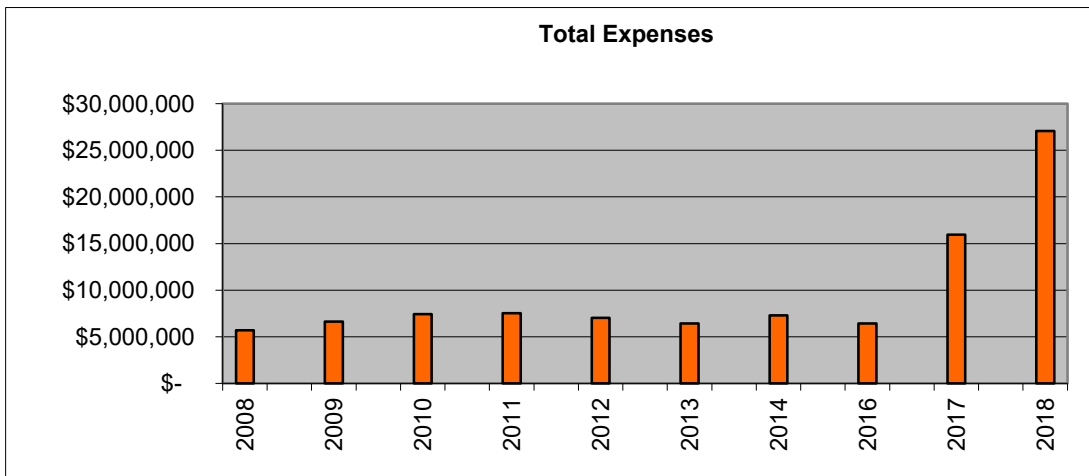
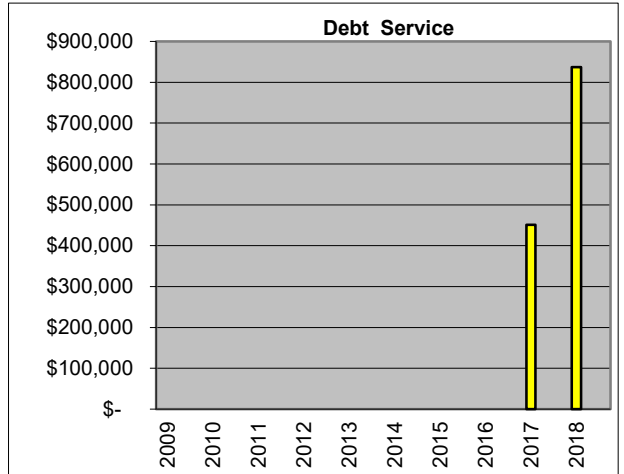
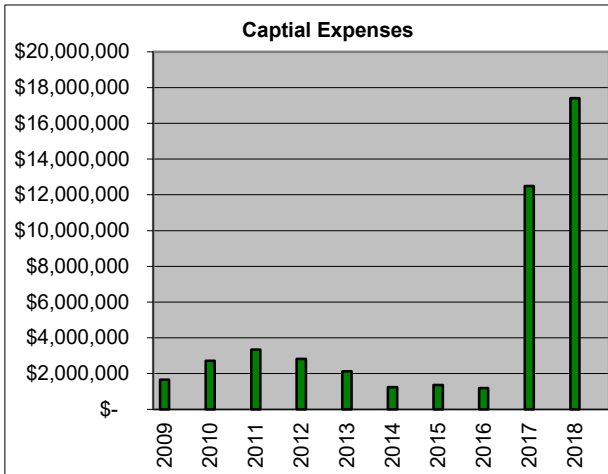
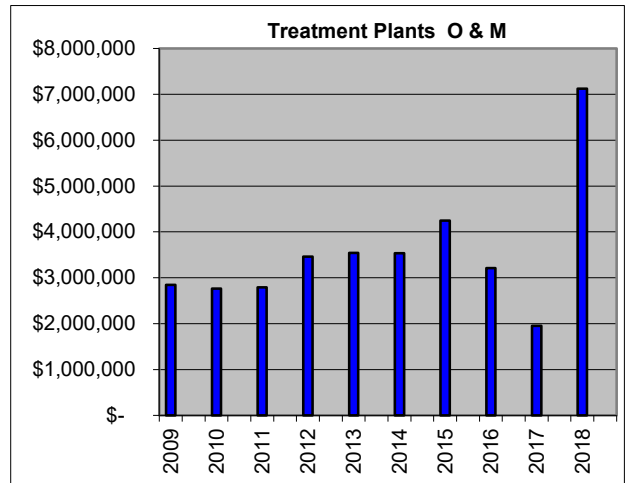
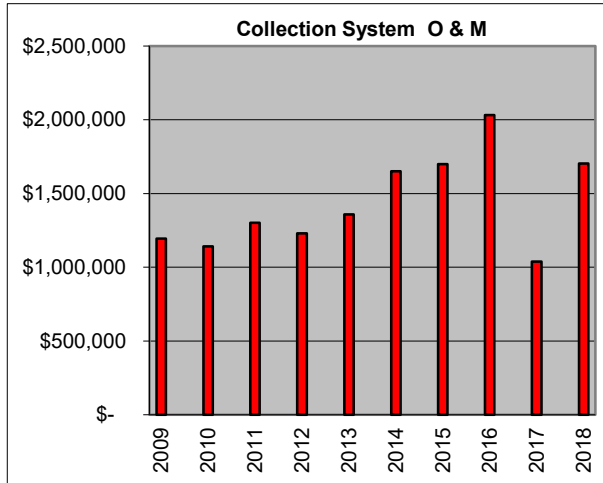
Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
2009	\$ 1,193,312	\$ 2,848,451	\$ 1,657,519	\$ -	\$ 5,699,282
2010	\$ 1,141,213	\$ 2,766,897	\$ 3,217,837	\$ -	\$ 7,125,947
2011	\$ 1,301,539	\$ 2,791,597	\$ 3,350,410	\$ -	\$ 7,443,546
2012	\$ 1,230,974	\$ 3,459,306	\$ 2,822,042	\$ -	\$ 7,512,322
2013	\$ 1,358,286	\$ 4,049,164	\$ 2,127,162	\$ -	\$ 7,534,612
2014	\$ 1,650,804	\$ 3,534,549	\$ 2,201,175	\$ -	\$ 7,386,528
2015	\$ 1,698,607	\$ 4,245,168	\$ 1,360,467	\$ -	\$ 7,304,242
2016	\$ 2,032,653	\$ 3,208,443	\$ 1,182,621	\$ -	\$ 6,423,717
2017	\$ 1,037,903	\$ 1,950,307	\$ 12,494,590	\$ 451,461	\$ 15,934,260
2018	\$ 1,703,696	\$ 7,120,946	\$ 17,407,486	\$ 837,173	\$ 27,069,301

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

Notes: ¹Issued 20-year taxable revenue bonds (\$21,195,000) for construction of the WRR project.
Treatment Plants include Pre-treatment, OU2 facility and WQG expenses
Total expenses exclude depreciation expense

SOUTH DAVIS SEWER DISTRICT

Expenses by Function (Unaudited)
Last Ten Fiscal Years



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

SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage (Unaudited)
For the Year Ended December 31, 2018

Schedule 34

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Philadelphia Olympus Insurance Agency	PHPK1754717	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/18 to 1/1/19
Philadelphia Olympus Insurance Agency	PHUB8612738	Excess Liability (\$10,000,000)	1/1/18 to 1/1/19
Philadelphia Olympus Insurance Agency	PHPK1754717	Property (\$52,030,580)	1/1/18 to 1/1/19
Philadelphia Olympus Insurance Agency	PHPK1754717	*Fidelity Bond (\$750,000) Treasurer	1/1/18 to 1/1/19
Philadelphia Olympus Insurance Agency	PHPK1754717	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/18 to 1/1/19
Travelers Olympus Insurance Agency	QT-660-61775821	Builders Risk (40,922,740)	1/1/18 to 9/1/19
Worker Compensation Fund	1494897	Workers Compensation	1/1/18 to 1/1/19

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

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

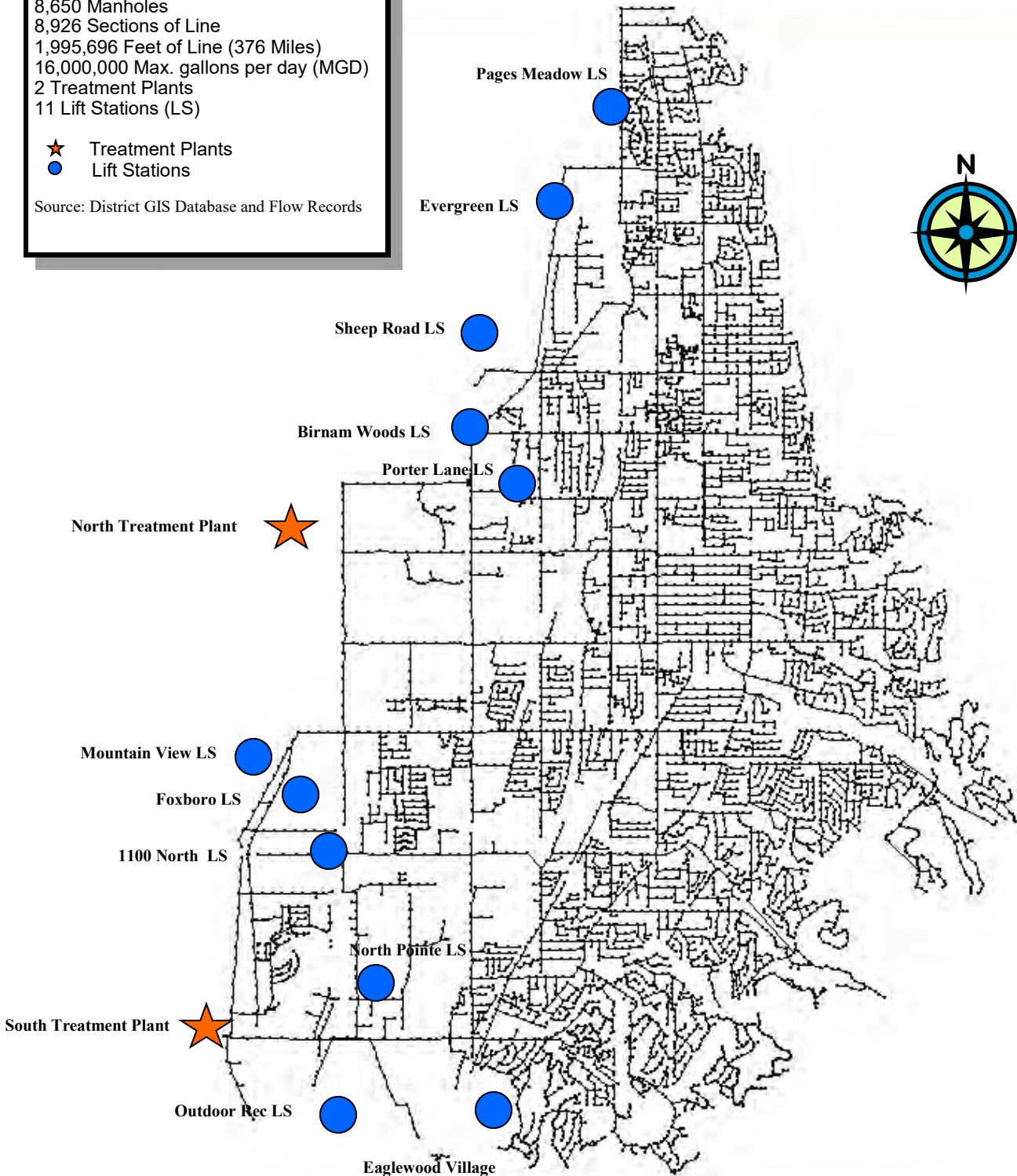
SOUTH DAVIS SEWER DISTRICT
 Wastewater System
 For The Year Ending December 31, 2018

Statistics

34.38 Square Miles
 8,650 Manholes
 8,926 Sections of Line
 1,995,696 Feet of Line (376 Miles)
 16,000,000 Max. gallons per day (MGD)
 2 Treatment Plants
 11 Lift Stations (LS)

★ Treatment Plants
 ● Lift Stations

Source: District GIS Database and Flow Records



COMPLIANCE SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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

Board of Trustees
South Davis Sewer District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the "District") as of and for the years ended December 31, 2018 and 2017, 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 20, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Salt Lake City, Utah
June 20, 2019



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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

Board of Trustees
South Davis Sewer District

Report on Compliance

We have audited the compliance of South Davis Sewer District’s (the “District”) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2018.

State compliance requirements were tested for the year ended December 31, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meetings Act
- Public Treasurer’s Bond
- Tax Levy Revenue Recognition
- Impact Fees

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Compliance

In our opinion, South Davis Sewer District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended December 31, 2018.

Opinion

In our opinion, South Davis Sewer District complied, in all material respects, with the state compliance requirements referred to above the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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



Salt Lake City, Utah
June 20, 2019

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

