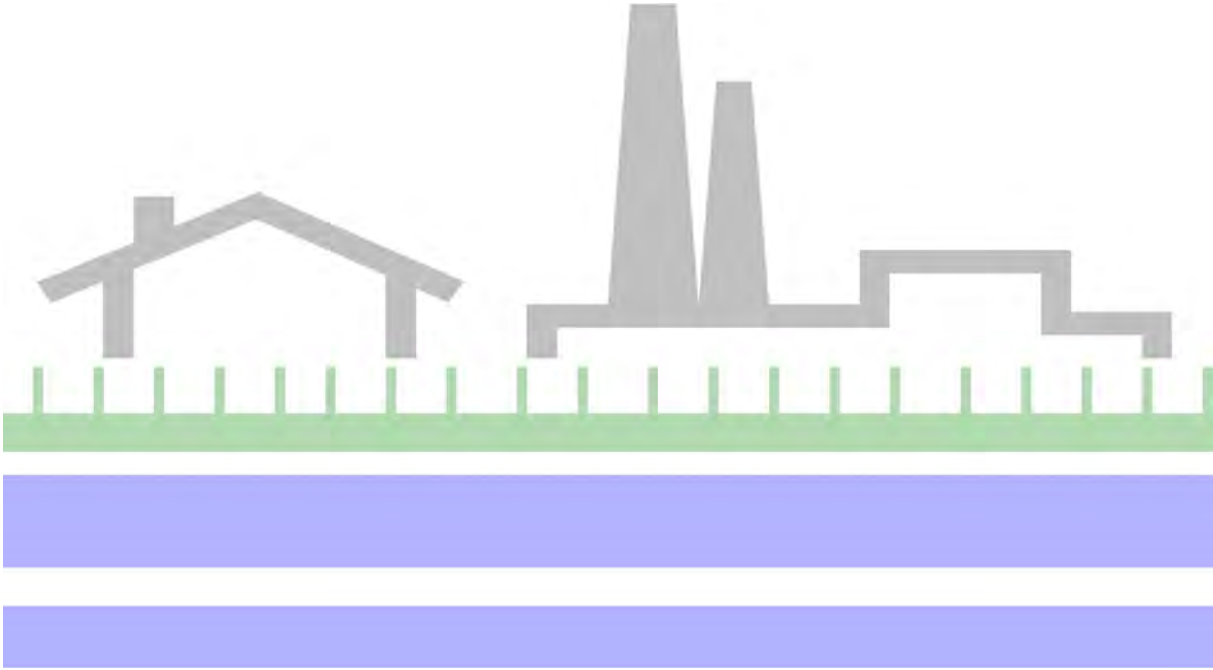


**SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah**

Comprehensive Annual Financial Report
For the Fiscal Years Ending December 31, 2019 and 2018



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 2019

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

Mailing Address: PO Box 140111
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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2019 and 2018

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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2019 and 2018

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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 25, 2020

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, 2019 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, 2019, 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, 2019, 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 miles of sewer, 4 miles of force main and 8,650 manholes.

The District currently serves a total population of approximately 104,951 (Facilities Plan 2020 update). 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 has seen very significant increases in density in new subdivision and apartment projects throughout the District. To account for higher densities the District inventoried the remaining vacant land in the District along with its planned use and density in March and April 2020. From this inventory, the District estimates the saturation population to be 120,486. This agrees closely with the Wasatch Front Regional Council's current estimate for the year 2040 population of 120,155. Build-out will 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". The District will be using a population of 120,000 for planning and design purposes.

Compliance with the recent changes in discharge permit limits for phosphorus and nitrogen require significant upgrading of our treatment processes. It has been 25 years and 28 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 approximately \$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 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 12/31/2019		
Zions A/P Checking	\$	106,675.40
Zions P/R Checking		154,471.86
Zions ACH Checking		25,836.66
Zions Rev Checking		106,445.80
Zions Money Market		97,414.70
Zions WRR Expenses Checking (1/2)		44,435.78
Zions WRR Revenue Checking (1/2)		23,204.60
PTIF (Outflow)		579,482.86
PTIF (Inflow)		4,052,536.65
PTIF (Project Reserve)		2,007,867.71
PTIF - WRR Operating (1/2 Bond proceeds)		12,339.24
Moreton Asset Advisors		1,775,471.71
Total	\$	8,986,182.97

Debt for the Period Ending 12/31/19

2017 Revenue Bonds (Par Value)	\$	21,195,000.00
Issue Discount		(94,363.55)
Underwriters Discount		(340,912.50)
Net Proceeds After Discount	\$	20,759,723.95
Issue Costs		(483,101.41)
Operating Account Deposit		(500,000.00)
Equity Contribution		862,902.51
Net Proceeds	\$	20,639,525.05
Construction Draws (29)		(20,382,722.65)
Interest Income		18,871.83
Carrying Value 12/31/19	\$	275,674.23
2019 Revenue Bonds (Par Value)	\$	12,179,000.00
Construction Draw (1)		(2,085,346.00)
Interest Income		18,871.83
Carrying Value 12/31/19	\$	10,112,525.83
Total Carrying Value 12/31/19	\$	10,388,200.06

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 2019.

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 for funding of the nutrient removal and rehabilitation projects discussed later in the CAFR require annual debt service. These projects along with increased wastewater flows and inflation will increase operation and maintenance costs. District sewer rates are inadequate to meet these funding needs.

In 2017 the District retained Zions Capital Finance to begin 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 had reduced our net operating revenues to a small margin.

The purpose of the study was to review rates relative to bonding requirements for 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 from \$5 per month to \$10 per month to cover debt service for the first project.

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 75% from 0.000940 to 0.000234 for 2019. The median house value is currently \$266,000 and would pay an annual tax of \$34.23 (at an assessed valuation of 55%). This is a total sewer user cost of \$12.85 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 additional 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 will require substantial additional rate increases. Tipping fees and energy sales from the Wasatch Resource Recovery project and algae sales from the North Plant nutrient removal project will eventually contribute 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 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.

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

The Advanced Biological Nutrient Removal (ABNR) project and the rehabilitation project at the North Plant are funded by District reserves, \$14,176,000 in bond financing from the Utah Division of Water Quality (UDWQ) State Revolving Loan Fund (SRF). The SRF bond has an interest rate of 0.25% with an annual payment of \$727,553. Additional bonding of approximately \$20,000,000 will be needed to complete the project.

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 put this requirement in effect beginning fiscal year 2019.

GASBS No. 84 Fiduciary Activities

This statement is effective for periods beginning after December 15, 2018.
The District put requirement into effect beginning fiscal year 2019.

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 put this statement into effect beginning fiscal year 2019.

GASBS No. 91 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 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 of residential units, which decreased 17.6% from 2018. However, the total value only decreased 0.9%. 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.

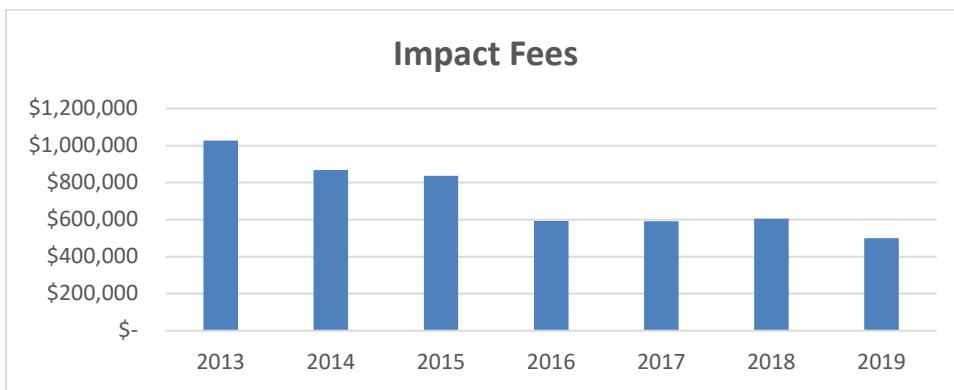
The following table summarizes construction activity in the District for 2019:

City	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2019 Units	2018 Units	% change 2018-19	2019 \$1,000	2018 \$1,000	% change 2015-16	2019 \$1,000	2018 \$1,000	% change 2015-16
Bountiful	\$ 67	\$ 103	-35.0%	\$ 22,015	\$ 24,168	-8.9%	1725	\$ 7,670	-77.5%
Centerville	\$ 13	\$ 125	-89.6%	\$ 3,812	\$ 5,685	-32.9%	1811	\$ 18,648	-90.3%
North Salt Lake	\$ 122	\$ 71	71.8%	\$ 21,785	\$ 25,453	-14.4%	11705	\$ 9,872	18.6%
West Bountiful	\$ 47	\$ 10	370.0%	\$ 14,083	\$ 8,859	59.0%	1464	\$ 608	140.8%
Woods Cross	\$ 9	\$ 4	125.0%	\$ 4,790	\$ 1,723	178.0%	5771	\$ 5,676	1.7%
Totals	\$ 258	\$ 313	-17.6%	\$ 66,485	\$ 65,888	0.9%	\$ 22,476	\$ 42,474	-47.1%

City	Additions & Repairs						Total Construction Value		
	Residential			Nonresidential			2019	2018	% change
	2019	2018	% change	2019	2018	% change	\$1,000	\$1,000	% change
Bountiful	4774	\$ 2,826	68.9%	4691	\$ 7,492	-37.4%	33206	\$ 42,153	-21.2%
Centerville	1115	\$ 1,882	-40.8%	5190	\$ 4,381	18.5%	11929	\$ 29,896	-60.1%
North Salt Lake	941	\$ 1,172	-19.7%	4685	\$ 3,174	47.6%	39118	\$ 39,670	-1.4%
West Bountiful	191	\$ 597	-68.0%	450	\$ 5	8900.0%	16909	\$ 10,068	67.9%
Woods Cross	481	\$ 6	7916.7%	233	\$ -	-	11276	\$ 7,405	52.3%
Totals	\$ 7,502	\$ 6,483	15.7%	\$ 15,249	\$ 15,052	-0.9%	\$ 112,438	\$ 129,192	-13.0%

Impact Fees

Impact fees were \$598,690 in 2017 and \$619,865 in 2018. Impact fees in 2019 were \$636,705. We expect the impact fees for 2020 to continue about the same. We expect future impact fees to decline due to the declining availability of land for development.



Total nonresidential construction in the District declined by 47.1% from 2018 to 2019. 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 2019-20. 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 2010 through 2018 has been a little over 3.0%. Utah's job growth was 3.8% between November 2017 and November 2018. It was 2.37% between November 2018 and November 2019. Job growth rate from April 2019 to April 2020 was -7.1%. The job growth rate for the US was -12.9%.

The unemployment rate for Utah was 3.1% in April 2018. It was 2.8% in April of 2019. For April 2020 it was 12.9%. The extraordinary effects of the covid-19 pandemic make predicting unemployment for the rest of 2020 and into 2021 impossible. However, unemployment levels are likely to remain high for the rest of 2020.

Before the pandemic, most industries were facing 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 6.0% in 2019 to an estimated \$158 billion. Utah's per capita annual income grew 4.2% to reach \$48,395 in 2019 according to the U.S. Department of Commerce, Bureau of Economic Analysis.

Current Economic Conditions

The Kem C. Gardner Policy Institute reports that "the impact of COVID-19 has significantly affected U.S. employment, GDP, and other economic factors. While the Utah economy has not escaped these unique circumstances, the state has fared better compared with national average metrics." James Wood at the Policy Institute predicts, "The COVID-19 recession will cut residential construction and existing home sales by 8% to 10%, depending on the type of housing." He further notes, "The good news is that in the second half of the year employment growth returns, bringing the 2020 annual employment estimate to 1,529,000 jobs, down only 31,000 jobs from 2019. The employment forecast for 2020 is 5.3%--much lower than the peak unemployment rate of 8.1% during the Great Recession."

Current Major Activities – Human Resources

Staffing

The District currently has a full-time staff of 38. Current staff consists of:

District Staffing		
Activity	As of 12/31/19	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	7
Water Quality Research	1	1
Wasatch Resource Recovery	0	5
TOTAL	28	33

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 four employees. Utah is experiencing extraordinary conditions in the labor market due to COVID-19. The response for entry level employees is very low.

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

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 making 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 Pollutant 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. These studies have been completed. Based on these studies Utah Division of Water Quality (UDWQ) determined that ELS are present and that permit limits for ammonia should be further reduced. The Discharge permits for both treatment plants were reissued, effective January 3, 2020.

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 Publicly Owned Treatment Works (POTW) discharging to Utah Lake, the Jordan River and/or Farmington Bay of the Great Salt Lake in an interlocal agreement. In this agreement, these POTWs commit to an organized approach to the many issues arising out of water quality concerns surrounding these water bodies. The group provides ongoing funding to hire a 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 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

The North Plant exceeded its permit limit for ammonia by 0.4 mg/l in January. Cold weather in December probably reduced our nitrifier population significantly and/or temporarily inhibited their activity. We procured nitrifier stock cultures and supplemental nutrients to aid recovery. Effluent ammonia levels dropped approximately 40%. We continued to optimize plant operations for ammonia removal. We saw a nice recovery in ammonia levels during the last two weeks of January and the first three weeks in February, but a dramatic increase in ammonia levels the last week pushed the plant 0.7 mg/l over the limit. In March ammonia limits were again well within permit limits.

The ammonia limit was again exceeded in July. Ammonia removal has been poor for the preceding 45 days where with increasing temperatures it should have been improving. Ammonia levels in the influent increased 35% in June and 20% in July which would certainly have influenced effluent ammonia levels. We have been concerned about ammonia removal since new, lower limits for ammonia were imposed. We sent biomass samples from our trickling filter process units to a consulting laboratory for analysis. The lab identified the presence of very large populations of “bristle worms”. The highest concentration this lab had ever seen. The bristle worms consume the trickling filter biomass as their food source leaving less biomass to treat the wastewater. The lab recommended using a larvicide to eradicate these worms. The trickling filters were dosed on a test basis with excellent results.

The plant exceeded its ammonia limit by 0.2 mg/l in November and by 1.5 mg/l in December. The deterioration in performance is likely tied to colder weather. We continued to work with the larvicide for bristle worms. We have been optimizing chemical addition at the head of the plant for phosphorus removal. We have been achieving ortho-phosphorus levels of 0.5 mg/l or less. We are researching whether nitrification may become phosphorus limited.

The chlorine residual daily maximum was exceeded on one occasion in November. All equipment was operating normally. All samples before and after the exceedence were in compliance. There was possible operator error in sampling.

The North Plant passed all quarterly biomonitoring tests.

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

The District is currently dealing with critical compliance issues. Beginning in July and in each month since, the South Plant has exceeded its permit limits for ammonia, both 30-day average and daily maximum. The District is in what is termed Significant Non-Compliance (SNC) with its discharge permit. DWQ issued the District a Notice of Violation (NOV) on December 18, 2020. This was

followed by a Notice of Violation and Compliance Order (NOV/CO) on March 17,2020. The NOV/CO requires the District to take immediate steps to bring the plant into compliance. It also requires that the District in turn pursue an enforcement action against WRR and bring it into compliance.

The initial resolution of the NOV/CO will likely be a consent agreement with DWQ, specifying the steps and deadlines for bringing the South Plant and WRR into full compliance. Given the significance and duration of the violations, DWQ will assess a fine and other remediation requirement. The amount of the fine and any remediation requirements cannot be determined at this time.

WRR began receiving food waste in February 2019. By July WRR was discharging enough ammonia to the South Plant to cause it to violate its ammonia permit limits. It was anticipated that ammonia would be produced by the anaerobic digestion process and an ammonia removal process was included in the WRR project. The ammonia produced in the digesters has been more than anticipated and the ammonia removal process less efficient and harder to operate than expected.

A nutrient removal process was planned for the South Plant to handle the increased ammonia loading from WRR and to meet new, lower discharge permit limits. Difficulties in the pilot testing of the proposed nutrient removal technology delayed the implementation of the planned improvements by more than a year. The nutrient removal process and needed plant rehabilitation projects have been engineered and the plans and specifications for the project submitted to DWQ for review and issuance of a construction permit.

Funding for construction of the project is in place. The contract for the construction of the project is in place and the contractor is ready to start as soon as the construction permit is issued.

There were no exceedences for the routine chronic biomonitoring tests. Weekly acute biomonitoring tests are required by the NOV/CO. There are unresolved questions about whether these tests pass or fail.

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

Current Major Activities - Wasatch Resource Recovery

Resource Recovery

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 agricultural and 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. According to the EPA, 97% of all food waste is landfilled. Food waste occupies from 15 to 30% of all landfill space where it becomes anaerobic and generates enormous quantities of the greenhouse gasses methane and carbon dioxide. Food Waste is a tremendous opportunity to recover energy, plant nutrients and organic carbon.

Over 100 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 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

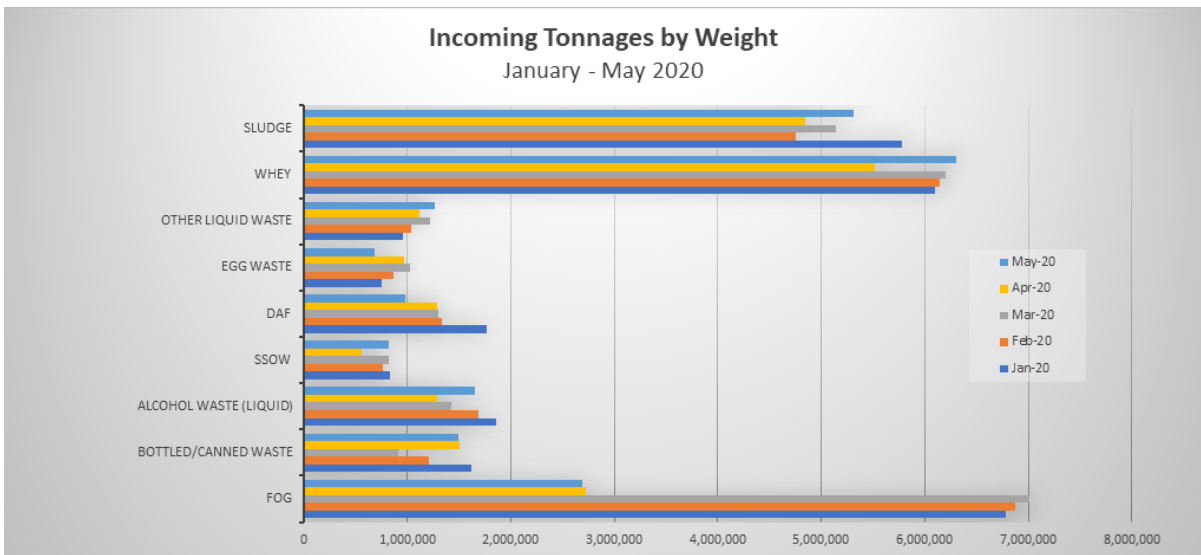
marketing and delivery and energy sales. The District is responsible for the operation and maintenance of the waste receiving, anaerobic digestion, RNG scrubbing and solids processing facilities.

The 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. Eric 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 high level of economic and construction activity in the U.S. and locally during 2018 and 2019 made labor scarce and expensive. Construction materials, particularly steel, increased significantly in cost. Despite these challenges, construction proceeded smoothly and on budget. The project is, however, 18-months behind schedule. This is due almost entirely to the gas scrubbing equipment. The supplier of the gas scrubbing equipment is a relatively new company located in the Netherlands. There were significant problems with engineering issues, shop drawing approvals, equipment delivery and electrical code compliance. Commissioning of the unit has had numerous problems. We are still at least a month away from commercial operation.

WRR has been receiving food waste since March 2019. To date WRR has processed 35,000,000 gallons of organic wastes. The following shows major feedstock types and volume:



Some of the major sources of feed stock are Dannon, Nestle', Swires Coca Cola, Schreiber Cheese, Costco, and Kroger/Smiths .

Although it cannot yet be sold, the project has produces 168,000,000 cubic feet of biomethane methane. This is 171,000 MMBtu which would have been \$1,800,000.

We used biosolids from both the North and South Plants to seed the digesters. We have been producing significant amounts of digester gas since June 2019. Consultants have conducted several detailed tests of gas quality during intermittent operation of the gas scrubbing unit. Gas quality is generally excellent. However, the vendor discovered after the original specification of the unit, that

the membrane filters are subject to damage by low concentrations of volatile organic compounds (VOCs). An additional layer of specialized activated carbon was added to this step in the gas treatment. Testing has found very low levels of mercury. This presence of mercury may or may not be confirmed by further testing. A second, specialized activated carbon has been added in case mercury should continue to be found.

During April and May the District has had the gas scrubbing unit up and running successfully for several weeks. Currently the desulfurization process is underperforming. We must resolve this problem before we can get the gas scrubbing unit back on-line and perform the final qualification tests.

Nutrient Removal Project

In researching technologies to meet the new, lower discharge permit nutrient removal requirements, and to support nutrients discharged by the WRR project, 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. 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 special 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. For example, the South Plant effluent is higher in hardness, total dissolved solids, arsenic and fluoride. We worked with Dr. Jeremy S. Guest of the University of Illinois at Urbana-Champaign and Dr. Rami Naddy at TRE Environmental Strategies, LLC in Fort Collins to identify the toxicant. In over a year of constant testing, process manipulation, and laboratory studies, the toxicity has not been fully identified. We believe the toxicity to be a metal, most likely zinc, however, there must be something else present to make the zinc toxic at abnormally low concentrations.

With WRR online and eventually causing the South Plant to violate its effluent limits for ammonia, it was necessary change plans. To realize the value of the long lead time equipment purchased for the project, the ABNR project was moved to the North Plant. The ABNR process works perfectly at the North Plant as noted above. An additional 60-days of trucking North Plant effluent to the ABNR pilot plant was done as a final demonstration. This test was again completely successful.

This necessitated a new nutrient removal approach for the South Plant. A bacteria based, activated sludge, nutrient removal process was selected. This process utilizes a Moving Bed Bioreactor (MBBR). With this process the engineer was able to utilize all remaining assets of the ABNR project. The design for the MBBR and the rehabilitation of the South Plant is complete. Plans and specifications for the project have been submitted to DWQ for review and issuance of a construction permit. As mentioned above bond funding is in place for this project. The contractor is prepared to begin construction.

Current Major Activities - Treatment Plants

North Plant

Aqua Engineering, the District Engineer and staff completed an engineering assessment of all North 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. Design engineering for the rehabilitation of the North Plant with the inclusion of ABNR for nutrient removal are currently being prepared. An engineering design report has been submitted to DWQ for review and approval. The current cost estimate for the work is \$47,276,500.

On February 26, 2020, the District went before the Water Quality Board requesting that the Board funding be changed from the South Plant to the North Plant. This request was approved. Because of funding constraints, the amount was reduced to \$14,176,000.

Due to the pending rehabilitation and nutrient removal project, no significant projects have been undertaken at the North Plant. This plant is generally in a clean, orderly, and workmanlike condition. There is no deferred maintenance, that is not addressed in the plant rehabilitation project, which would adversely affect permit compliance or the life of significant, existing plant assets.

South Plant

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 \$10,320,429.

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

Biosolids

The treatment and ultimate utilization of biosolids generated during the wastewater treatment process 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 2019 were applied at this new site. The spring and fall hauling and spreading campaign went very smoothly. We have some wet weather issues that need to be addressed, such as soft spots in the access road and better flotation tires for the spreader.

The WRR project will ultimately 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 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. This site is not adequate for all WRR biosolids. The District has been working with another new site in Weber County for biosolids and ammonium sulfate produced by the WRR project. The goal for these products is commercialization for the agricultural market.

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 to support WRR. We have completed configuring and populating this software to support the WRR project. This accounting system tracks 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 is significant. We have added one fulltime clerk for this workload. The bond documents require formal accounting and auditing manuals which we are continuing to develop.

Collection System

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

In this process, a tube of polyester felt and/or fiberglass is saturated with epoxy or vinyl ester resins and inserted into the existing pipe. It is inflated with air or water pressure and then cured using hot water or steam. The resulting composite pipe is structurally independent of the original pipe and provides both a very smooth and corrosion resistant product. This process involves less interference with traffic and other activities, is accomplished in a fraction of the time, and is far less expensive than traditional cut-and-cover methods. Over the last 15 years, District contractors have 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 60 to 90 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 currently participating in a Rocky Mountain Power program to perform energy audits and complete energy conservation projects. 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.

Safety

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

Year	Collection System	Treatment Plants	Water Quality Group	WRR	Office	Annual Total
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
2019	ear & hand	foot & hand		shoulder		5
Total	6	8	2	1	1	18

The significant increase in injuries is mainly due to new employees and the new WRR operation. The new employees are generally younger and less experienced in the workplace. We need to increase our daily emphasis on safety and fundamental safety training issues.

The major safety and health related regulations have required written program components, many of which are extensive. The District must develop, write, and implement programs specific to our facilities. The following table lists the safety & health programs for which the District is responsible.

Item	Regulation(s)	Written Program	Training	Documentation
Blood borne Pathogens	Federal OSHA 1910.1030	X	X	X
Personal Protective Equipment	29 CFR Ch. XVII Subpart I (1910.132-139)	XX	X	X
Hearing Conservation	Federal OSHA 1910.95	XX	X	X
Hazardous Materials Communication	Federal OSHA 1910.1200	XXX	X	X
Laboratory Safety	Federal OSHA 1910.1450	XX	X	X
Respiratory Protection	Federal OSHA 1910.134	XX	X	X
Confined Space Entry	Federal OSHA 1910.146	XXX	X	X
CDL Policies & procedures	Federal DOT (40 CFR 390 & 391)	X		X
CDL Random Drug Testing	Federal DOT (40 CFR 390 & 391)	X		X
Electrical Safety	Federal OSHA 1910.331-335		X	X
Emergency Response Planning	Federal OSHA 1910.38	X	X	X
Powered Industrial Truck Operation	Federal OSHA 1910.78		X	X
Accident Reporting	Federal OSHA 1904		X	X
Flammable Liquids	Federal OSHA 1910.106	X	X	X
Fire Extinguishers	Federal OSHA 1910.157		X	X
Control of Hazardous Energy	Federal OSHA 1910.147	XX	X	X
Air Contaminant Exposure	Federal OSHA 1910.1000			X
On-site Contractor Briefing	Various			X
Welding, Cutting, & Brazing	Federal OSHA 1910.252	X	X	X
Emergency Response HAZMAT	Federal OSHA 1910.120	X	X	X
Traffic Control	Utah DOT Manual on Uniform TC Devices		X	X
Heavy Equipment	Federal OSHA 1910.180(b)(3)		X	X

The implementation process involves working with all District personnel to ensure that everyone understands their role within the program. Those personnel affected by a given regulation or program

must be trained on proper, safe work practices through regularly scheduled training sessions. They also get hands-on instruction and advice whenever necessary. A safety and industrial hygiene consulting firm is currently working on updating all the District's health and safety programs and documents.

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

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 nine-years of operating OU2 have been successful and well within budget.

Risk Management

For 2019 and 2020 the District's Property, Inland Marine, Crime, General Liability, Wrongful Acts/Professional Liability, Employment Practices Liability, Automobile Liability, Excess Liability, Network Security/Data Breach Liability, (WRR), Wrongful Acts/Professional Liability (WRR), and Excess Liability (WRR) insurance is provided by the Philadelphia Indemnity Insurance Company (A++ XV). Directors and Officers Liability (WRR) and Employment Practices Liability (WRR) is provided by Travelers (A++ XV). Excess Liability (District and WRR) is provided by Markel (A XV). Environmental Liability is provided by Navigators (A+ XV). 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 2019 and 2020 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 as well as liability.

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, 2018. This was the 21st 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 2020 meeting schedule, a listing of the employees of the District, a copy of our 2018 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, slightly slanted 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, slanted style.

Mark R. Katter
Accounting Manager/Clerk



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 25, 2020

To Whom it May Concern:

South Davis Sewer District's (SDSD) Audit Committee held our pre-audit meeting on April 23, 2020 from 10:00 AM to 11:00 AM through electronic means using Microsoft Teams as the platform. We discussed the upcoming audit. Areas of interest for this year's audit were discussed. The main discussion revolved around the Wasatch Resource Recovery (WRR) project and making sure all aspects of the project are being recorded correctly. The auditor confirmed that this would be an area of emphasis during the audit.

Our Audit Committee exists to provide oversight of the audit function and to make sure all areas of accounting and financial reporting within SDSD are transparent and known to the Board of Trustees. Management and accounting staff at SDSD do a great job with limited resources. It is always nice to have this confirmed by the audit firm.

Members of Audit Committee:

Ryan Westergard (Chair)
Mark Preece
Howard Burningham

Audit Firm:

Karren, Hendrix, Stagg, Allen & Company

Auditor:

Stephen Capson

The above individuals all participated in the Audit Committee meeting.

Regards,

Ryan Westergard
SDSD Audit Committee Chair



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, 2018

Christopher P. Morill

Executive Director/CEO

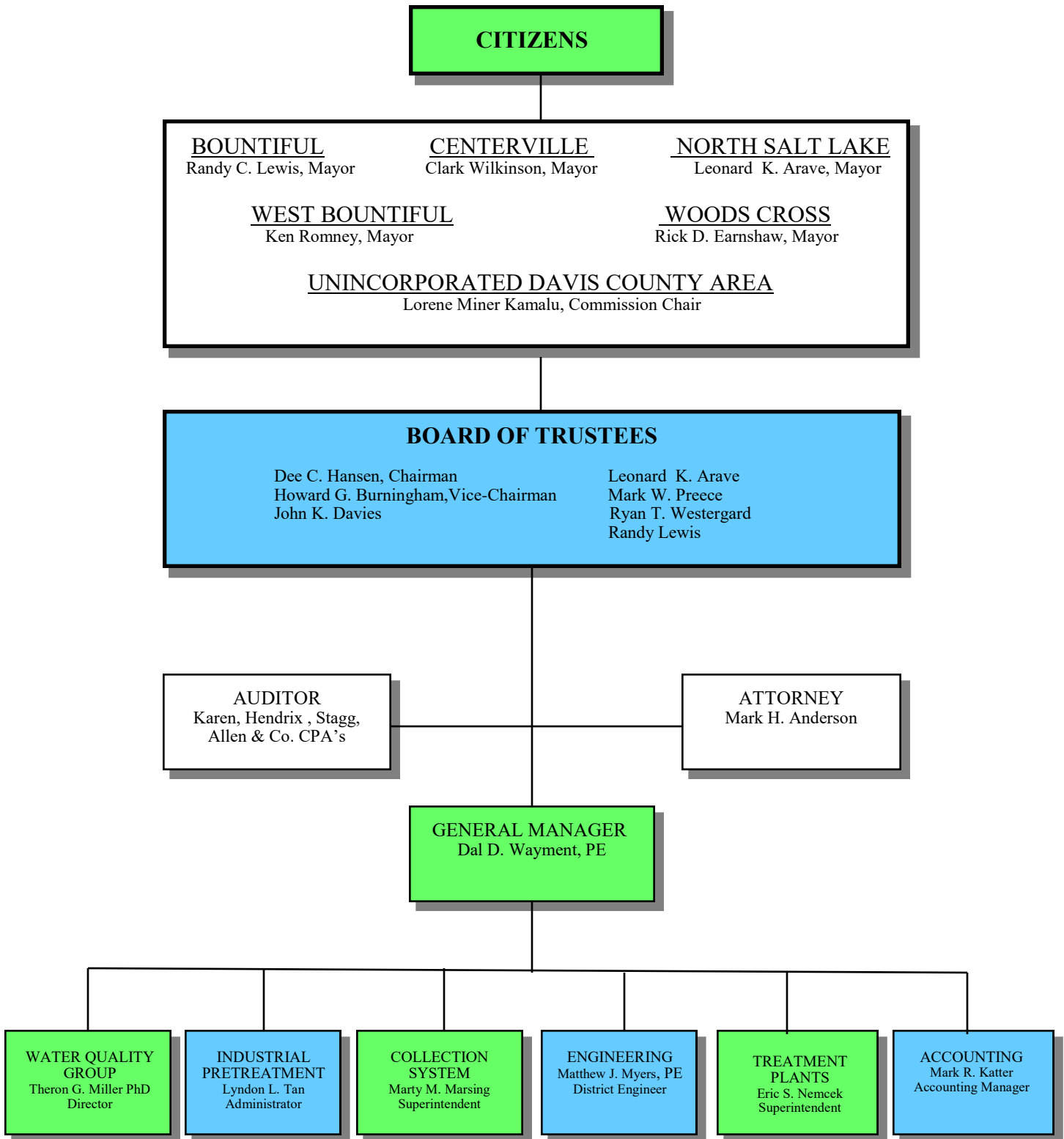
SOUTH DAVIS SEWER DISTRICT AWARDS

- 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, 2019



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2019



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	12/31/2023
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, 2019

PUBLIC NOTICE is hereby given that the 2020 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	16th
February	20th
March	19th
April	16th
May	21st
June	25th
July	16th
August	20th
September	17th
October	15th
November	19th
December	3rd

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
District Clerk

SOUTH DAVIS SEWER DISTRICT
 Full-Time Employees
 For the Year Ending December 31, 2019

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
Brent M. Maxwell	Treatment Plant Operator
Jedd C. Powell	Treatment Plant Operator
Jeffery K. Perkins	Treatment Plant Operator
Joshua D Smedley	Treatment Plant Operator
Nathan L. Larsen	Treatment Plant Operator
Jacob U. Scott	Engineer in Training WRR
Norman S. Robinson	Lead Plant Operator WRR
Jayson D. Dlugas	Operator WRR
Braeden R. Adamson	Operator WRR
Anthony A. Connor	Operator WRR
Dominic H. Padilla	Operator WRR
Douglas S. Reese	Operator WRR
Jonathan D. Weimer	Operator WRR
Lyndon L. Tan	Industrial Pretreatment Administrator
Mike C. Bradshaw	Maintenance
Brandon M. Katter	Maintenance
Sterling D. Smedley	Maintenance
Kevin Page	Maintenance
Marty G. Marsing	Collection System Superintendent
Tyler Nemcek	Collection System Lineman
Curtis D. Bohman	Collection System Lineman
Shane E. Fleming	Collection System Lineman
Brandon S. Rice	Collection System Lineman
Carl E. Trimming	Collection System Lineman
Conrad Hash	Collection System Lineman
Theron G. Miller	Research Scientist

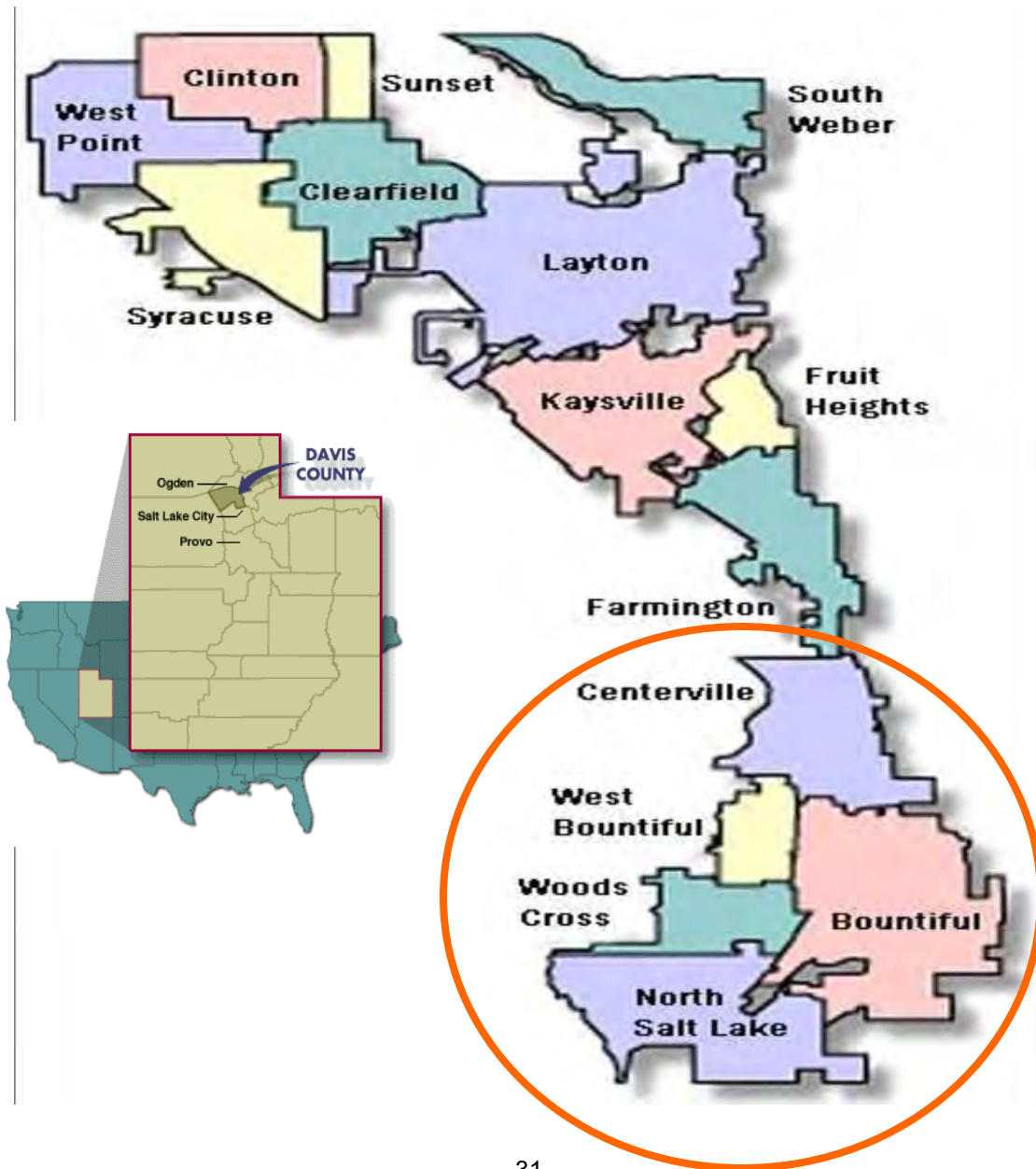
Source: District Personnel Records

SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2019

Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2018)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,870	5.99	May 5, 1915
West Bountiful	5,322	2.96	Dec. 31, 1948
Bountiful	49,198	13.22	Dec. 5, 1892
Woods Cross	12,532	3.76	Sep. 4, 1930
North Salt Lake	17,936	8.45	Sep. 3, 1946
Totals	101,858	34.38	

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





Administration & Staff





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 several downtown South Haven businesses.

Bob Stickland, the director of

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

"Somebody is putting something into the sewer that is creating the odor," Stickland said in an interview after the council meeting. "We are trying to find out

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

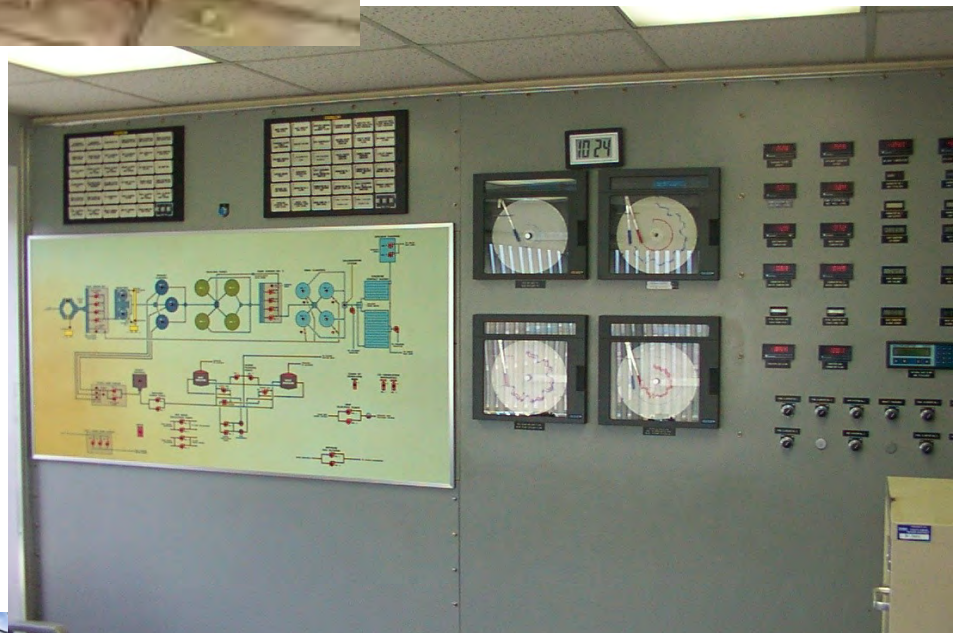
Don't trust anyone that lives in a sewer.

RSCHBEZBURGER.COM



Sewer Art

**North Treatment Plant
Operation Control Panel**



**North Plant
Field Trip**





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“That reminds me, I wonder what Mildred’s cooking for dinner tonight?”

Certification Test Preparation



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, 2019 and 2018, 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, 2019 and 2018, 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 39-49, Modified Approach for Eligible Infrastructure Assets on pages 74–77 and Schedule of the Proportionate Share of the Net Pension Liability on pages 78-80 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 24, 2020 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 24, 2020

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2019 and 2018
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the fiscal years ending December 31, 2019 and December 31, 2018, with comparative totals for December 31, 2017. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal. See pp. 1-23, in the Introductory Section, the Basic Financial Statements (pp. 50-54) and Notes to Financial Statements (pp. 55-73,) 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 2019, therefore the 2019 net position was \$87,880,791, a 3% increase from 2018. In 2018 and 2017 the District's net position was \$85,291,384 and \$82,473,405 respectively. Net investment in capital assets is 88% of the District's total assets (land, buildings, facilities, sewer lines, and equipment).
- The District's 2019 total net position increased by \$2,589,407 from 2018 and increased \$2,817,979 from 2017 to 2018 (3%).
- At the end of fiscal year 2019, the District's unrestricted cash, cash equivalents, and investments reported combined ending balances of \$8,651,005. 2018 and 2017 ending balances were \$6,350,946 and \$10,196,369 respectively.
- Series 2017 taxable revenue bond payment was made in the amount of \$1,637,763.
- In 2019, the District issued series 2019 20-year combined system revenue bonds (Private placement). Par value is \$12,179,000. The purpose of the series 2019 bonds is to finance the South Treatment Plant rehabilitation and build an advanced biological nutrient removal (ABNR) facility. These two projects are to help the District meet the latest State of Utah Division of Water Quality and EPA standards.
- 2019 impact fee revenue was \$624,221 a 3.2% increase from 2018. Impact fee revenue in 2018 was \$604,760 and for 2017, \$589,843. The 2018 impact fee revenue was primarily the result of the following major construction developments: Kindress Est., North Salt Lake City Center, Cove Townhomes, and Renaissance Ct. You can read more about the District's impact fee revenue in the Supplementary Information Section pp. 83-86, and p. 95 in the Statistical Section.
- Interest income in 2019 came from cash, cash equivalents, investments and bond proceeds totaling \$184,810, a 40% decrease from 2018. Interest income in 2018 and 2017 was \$306,480 and \$302,862 respectively. Interest income increased substantially beginning 2017 as a result of revenue taxable bonds proceeds.(p. 91 Statistical Section)
- In 2019, the District concluded the "construction in progress" phase and initiated the operational phase for Wasatch Resource Recovery project (WRR). See the capital asset schedules on p. 46, Management Discussion and Analysis section, p. 46 in the Notes to the Financial Statements and pp. 114-119 in the Statistical Section
- Operating revenues for 2019 and 2018 were \$6,043,598 and \$4,700,558 respectively, a 29% increase, and \$3,197,238 in 2017 (47% increase from 2017 to 2018). 2019 operating expenses (Less depreciation) decreased by 4%, or \$263,034 from 2018. From 2017 to 2018, operating expenses increased by 6% or \$429,430. (See pp. 42-43 in the MD&A Section; p.52 Financial Statements; and pp. 86-89 and pp.120-121 in the Statistical Section).

Overview of the Financial Statements

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

The 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 financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner like a private sector business.

The **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 (infrastructure assets and pensions)** and the **Other supplementary information** can be found in the **Financial Section** of this report.

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

Financial Analysis of the District

The District's net position may serve over time as a useful indicator of a government's financial position. In the case of the South Davis Sewer District, Net position at the end of fiscal year 2019 was \$87,880,791 (3% increase from 2018) and \$85,291,384 at the end of the fiscal year 2018, and \$82,473,405 at the end of the fiscal year 2017 (See pp. 50-52 Financial Statements and p.42 in the MD&A Section, and pp. 88-89 in the Statistical Section).

The largest portion of the District's net position reflects its net investment in capital assets less any related debt (79% in 2019, 88% in 2018, and 74% in 2017) 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 2019, in the form of two 20-year taxable revenue bonds to finance the Districts renewal energy project (WRR). The par value of these bonds is \$21,195,000 and \$12,179,000, series 2017 and series 2019 respectfully.

In 2019 the District's operating revenues of \$6,043,598 increased from \$4,700,558 (2018) by 29%. Operating revenue in 2017 was \$3,197,238. 2019 operating expenses were \$6,709,393 (less depreciation) a 6% decrease from 2018 (\$7,120,946). 2017 operating expenses (Less depreciation) was 6,691,513. See pp. 42-44 in the MD&A Section, pp.66-67 in the Financial Statements, and in the Statistical Section pp.91-93 and pp.121-121..

Key factors driving the preceding results include:

Sewer service revenue for 2019 was \$5,082,655 an increase of 33% compared to fiscal year 2018 (\$3,799,780). This 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 2018. The purpose of this rate increase was to cover inflationary costs and debt service. The District hasn't increased rates since 1988. (See pp. 91, 95 and 113 in the Statistical Section and the Notes to the Financial Statements, Note I, p. 54 of this report for more information).

2019 and 2018 property tax revenue were \$2,272,062 and \$2,483,497 respectfully, a decrease of 10%. 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 95.8% (See pp. 92-94 in the Statistical Section for more information).

Contributions to capital revenue was \$1,239,606 and \$897,985 in 2019 and 2018 respectively, an increase of 38%. In 2017 contributions to capital revenue was \$2,325,199. Contributions to capital revenue primarily comes from deeded lines to the District from developers and contractors. 2019 contributions were a result of a strong economy and a boom in the construction industry, see p. 91 and p. 93 in the Statistical Section 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 \$624,221 and \$604,760 in 2019 and 2018 respectively. 2017 impact fee revenue was \$589,843 (See pp.83-86 in the Supplemental Information Section and p.91 in the Statistical Section)

With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No.34*. Depreciation expense for 2019 and 2018 were \$279,873 and \$285,891 respectively. Depreciation expense for 2017 was \$323,330. Depreciation is trending down as a result of keeping assets longer and the execution of effective maintenance facilitating the longevity. The Modified Approach is discussed in greater detail in the Required Supplementary Information section of this report, pp. 74-77. Also, see the Notes to the Financial Statements, section one paragraph Note G on p. 54.

In 2019 and 2018, salaries and benefit expenses decreased 9% and increased 3% respectively, due to a combination of health care costs and cost of living Increases. Two additional full-time employees were hired in 2019 and two employees retired. 2019 personal services were down because the District was reimbursed for WRR usage of District personal (See Financial Statements pp. 50-52)

As of December 31, 2019, the District's non-current liabilities outstanding were employee compensated absences of \$535,553, (\$560,427 in 2018), a decrease of 3%. This obligation was down due to two employees retiring from the District's workforce. On May 17, 2017 the District issued Series 2017 20-year taxable revenue bonds in the amount of \$21,195,000 (par). This bond liability is \$19,948,437 (Net of unamortized discount) is to finance the WRR renewable energy project. See the Notes to the Financial Statements, p. 62, for more information. On December 3, 2019, the District issued Series 2019 20-year combined system revenue bonds (Private placement), par value \$12,179,000. This funding is for plant rehabilitation and construction of the ABNR project which will begin in 2021. These projects will bring the District in compliance with the the State of Utah and EPA new standards (See Statistical Section pp.100-102)

The District had a net pension liability totaling \$2,071,914, \$928,173, and \$1,621,008 for 2019, 2018 and 2017 respectively, the increase from 2018 to 2019 was 124%. 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 a material adjustment to the net pension liability. The fiduciary net position (funded) for URS was 91.7% in 2019. Many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements, pp. 63-68 and the Required Supplemental Section, pp. 78-80 for more information.

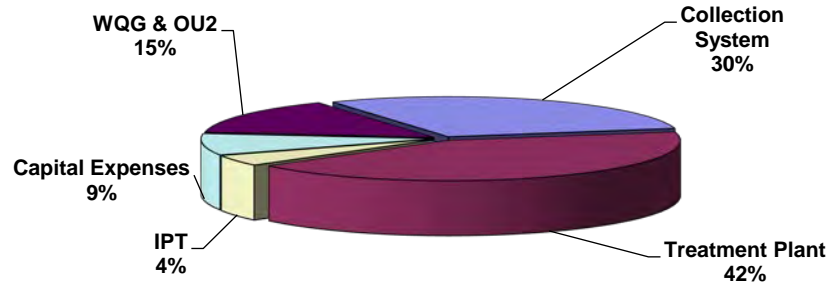
**South Davis Sewer District
Condensed Statements of Net Position
2019-2018**

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Current and Other Assets	\$ 21,387,842	\$ 12,860,071	\$ 8,527,771	66%
Capital Assets	101,676,993	95,253,455	6,423,538	7%
Total Assets	\$ 123,064,835	\$ 108,113,526	\$ 14,951,309	14%
Deferred Outflows of Resources	1,208,371	737,874	\$ 470,497	64%
Total Assets & Deferred Outflows of Resources	\$ 124,273,206	\$ 108,851,400	\$ 15,421,806	14%
Current Liabilities	2,374,684	1,520,046	\$ 854,638	56%
Long-Term Liabilities	33,979,354	21,471,761	\$ 12,507,593	58%
Total Liabilities	\$ 36,354,038	\$ 22,991,807	\$ 13,362,231	58%
Deferred Inflows of Resources	38,377	568,209	\$ (529,832)	-93%
Total Liabilities & Deferred Inflows of Resources	\$ 36,392,415	\$ 23,560,016	\$ 12,832,399	54%
Net Position:			\$ -	
Net Investment in Capital Assets	69,480,107	74,470,294	\$ (4,990,187)	-7%
Restricted - Capital Improvements	2,942,223	2,942,223	\$ -	0%
Restricted - Debt Service	2,065,348	2,065,348		
Unrestricted	13,393,113	5,813,519	\$ 7,579,594	130%
Total Net Position	\$ 87,880,791	\$ 85,291,384	\$ 2,589,407	3%
Total Liabilities and Net Position	\$ 124,234,829	\$ 108,283,191	\$ 15,951,638	15%

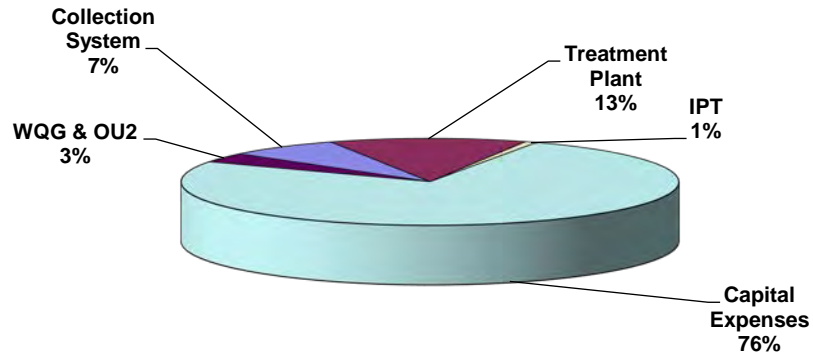
**South Davis Sewer District
Condensed Statements of Net Position
2018-2017**

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current and Other Assets	\$ 12,860,071	\$ 27,775,959	\$ (14,915,888)	-54%
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		-31%
Total Assets & Deferred Outflows of Resources	\$ 108,851,400	\$ 106,366,156	2,817,450	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		174%
Total Liabilities and Deferred inflows of Resources	\$ 23,560,016	\$ 23,892,751	\$ (693,327)	-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		
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%
Total Liabilities and Net Position	\$ 108,283,191	\$ 106,158,539	\$ 2,124,652	2%

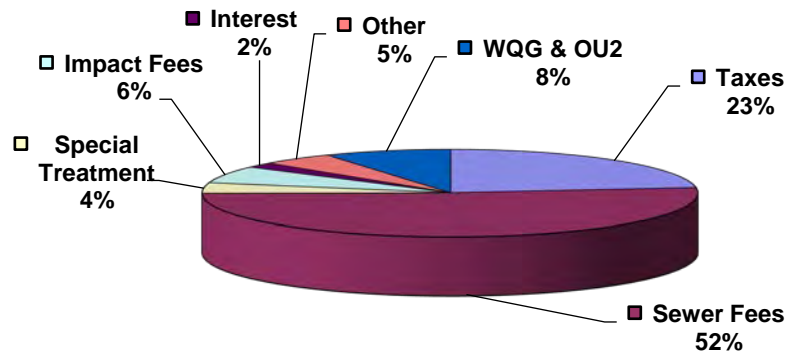
Expenses by Department 2019



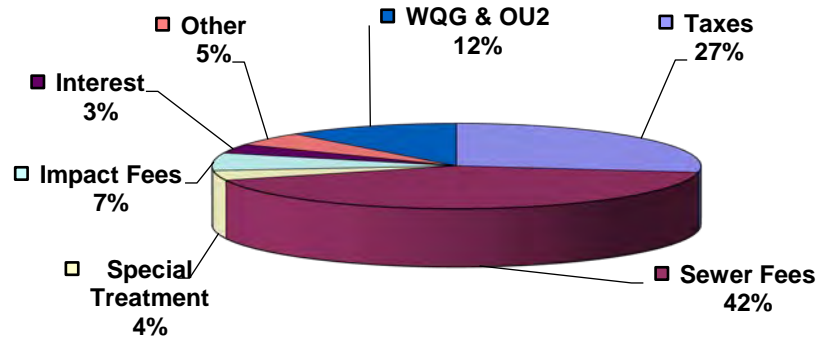
Expenses by Department 2018



Revenue by Source 2019



Revenues by Source 2018



SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2019-2018

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 5,082,655	\$ 3,799,780	\$ 1,282,875	34%
Special Treatment Fees	383,725	336,261	47,464	14%
Inspection & Project Fees	113,135	93,980	19,155	20%
Other	464,083	470,537	(6,454)	-1%
Total Operating Revenues	6,043,598	4,700,558	1,343,040	29%
Operating Expenses:				
Operating Expenses	2,931,114	2,971,592	(40,478)	-1%
Salaries & Benefits	3,778,279	4,149,354	(371,075)	-9%
Depreciation	279,873	285,891	(6,018)	-2%
Total Operating Expenses	6,989,266	7,406,837	(417,571)	-6%
Non-Operating Revenue (Expense)				
General Property Tax	2,272,062	2,483,497	(211,435)	-9%
Impact Fees	624,221	604,760	19,461	3%
Interest Income	184,810	306,480	(121,670)	-40%
Bond Interest & Costs	(891,791)			
Bond Issuance Costs	(23,000)			
WQG Contributions & EPA Grant	933,285	1,040,344	(107,059)	-10%
Gain (Loss) on Disposal of Property	98,114	256,975	(158,861)	-62%
Unrealized gain (loss) on investments	144,118	58,256	85,862	100%
Equity in Earnings (Loss)	(1,046,350)	(124,039)		
Total Non-Operating Revenue (Expense)	2,295,469	4,626,273	(2,330,804)	-50%
Increase in Net Position Before Capital Contributions	1,349,801	1,919,994	(570,193)	-30%
Contributed Capital	1,239,606	897,985	341,621	38%
Increase in Net Position	2,589,407	2,817,979	(228,572)	-8%
Net Position at Beginning of Year	85,291,384	82,473,405	2,817,979	3%
Prior Period Adjustment	-	-	-	
Net Position at End of Year	\$ 87,880,791	\$ 85,291,384	\$ 2,589,407	3%

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	100%
Gain (Loss) on Disposal of Property	256,975	87,959	169,016	192%
Unrealized gain (loss) on investments	58,256	13,482	44,774	
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%

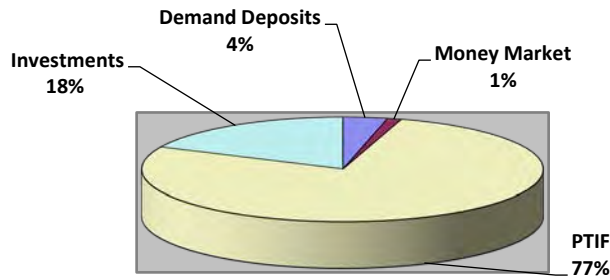
Cash, Cash Equivalents, and Investments

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 2019 and 2018 were 2.76% and 2.38% respectively (16% 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 p.105.

\$1,550,000 is invested with Moreton Asset Management which has a net earnings rate is 2.04% as of December 31, 2019. These funds are considered "sustainable funds." The fair value as of December 31, 2019 is \$1,802,951.

The District has four 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 pp. 54-57 "Deposits and Investments" section, will give you more information.

Cash & Cash Equivalents 2019



Interest income for 2019 and 2018 was \$184,810 and \$306,480 respectively a 37% decrease. This decrease was the result of low interest rates in the Public Treasurers Investment Fund (PTIF) and lower fund balances in a PTIF accounts due to capital project funding. See pp. 56-59, note 2 in the Notes to the Financial Statements and p. 109 in the Statistical Section for more information.

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

Capital Assets

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

As of December 31, 2019, the District had \$119,271,384 (historical cost) in capital assets. This represents a net increase of 6% over 2018 and a 19% net increase from 2017 to 2018 as shown in the tables below:

Property and Equipment 2019-2018 and 2018-2017

	Fiscal Year		Fiscal Year		Change	Percent Change
	2019	2018	2018	2017		
Land	\$ 3,070,568	\$ 3,070,568	\$ 3,070,568	\$ (0)	0%	
Buildings & Facilities	39,464,109	24,336,186	24,336,186	15,127,922	62%	
Outfall/Sewer Lines	50,415,109	49,278,649	49,278,649	1,136,460	2%	
Equipment	12,956,365	5,977,420	5,977,420	6,978,945	117%	
Construction in Progress	13,365,032	29,951,777	29,951,777	(16,586,745)	-55%	
Total	\$ 119,271,184	\$ 112,614,600	\$ 112,614,600	\$ 6,656,583	6%	

	Fiscal Year		Fiscal Year		Change	Percent Change
	2018	2017	2017	2016		
Land	\$ 3,070,568	\$ 3,148,863	\$ 3,148,863	\$ (78,295)	-2%	
Buildings & Facilities	24,336,186	24,336,186	24,336,186	-	0%	
Outfall/Sewer Lines	49,278,649	48,251,041	48,251,041	1,027,608	2%	
Equipment	5,977,419	5,990,420	5,990,420	(13,001)	0%	
Construction in Progress	29,951,777	12,767,821	12,767,821	17,183,956	135%	
Total	\$ 112,614,600	\$ 94,494,332	\$ 94,494,332	\$ 18,120,268	19%	

The major capital asset events for the 2019 fiscal year included the following:

- Construction costs of renewable energy project (WRR) \$2,365,153
- Construction costs of nutrient removal project (ABNR) \$2,296,850
- Contribution of sewer lines from developers valued at \$1,136,460
- Upgrade and development of GIS system at a cost of \$25,547.
- Purchased four 2019 Ford F350 Trucks and one 2019 Ford Expedition \$287,657.
- Sold six Ford F350 and F150 Trucks \$347,582.

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.

2019 capital asset additions included:

Sewer Lines	\$1,136,460
Buildings, Facilities & Lines	15,127,922
Equipment	7,326,528
Construction-In-Progress (CIP)	4,662,003
Total	\$28,252,914

Additional information on the District’s capital assets can be found in the Required Supplemental Information section (pp. 74-77), the Statistical Section pp.114-119 and the Notes to the Financial Statements, Note 1, paragraph G, p. 54.

Debt Administration and Long-Term Liabilities

The District issued 20-year taxable revenue bonds (Series 2017A) to finance the construction of the Wasatch Resource Recovery (WRR) renewable energy project. The par amount of these bonds is \$21,195,000. The outstanding bonds payable amount is \$20,395,000 as of the end of FY2019. 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. An interest payment was paid June 1, 2019 for \$418,881.25. The first principle and interest payment on these taxable revenue bonds was paid on December 1, 2019 in the amount of \$1,218,881 (\$800,000 principle and \$418,881 interest). As of December 31, 2019, the net carrying value of these taxable revenue bonds are \$19,948,437 (Restricted funds for WRR project). See pp. in the notes to the financial statements and pp. 99-102 in the Statistical Section for more information.

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.

On December 3, 2019, the District issued combined system revenue bonds, series 2019 in the amount of \$12,179,000. These bonds will mature December 1, 2039 and have a net interest cost of 2.16%. The purpose of the series 2019 bonds is to fund plant rehabilitation and ABNR projects that are required by the State of Utah division of water quality and the EPA to meet new wastewater standards.

As of December 31, 2019, the District had a long-term liability outstanding related to compensated absences due to employees is \$545,553. This has decreased 3% compared to 2018. This is was the result of two employee retirements. For more information, see the “Notes to the Financial Statements” pp.61-62.

The District had a net pension liability totaling \$2,071,914, \$928,173, and \$1,621,008 for 2019, 2018 and 2017 respectively, the increase from 2018 to 2019 was 124%. 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 91.7% in 2019. Many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements, pp. 63-68 and the Required Supplemental Section, pp. 78-80 for more information.

**Outstanding Long-Term Debt and Long-Term Liabilities
2019-2018 and 2018-2017**

	2019		2018		Change	Change
Compensated Absences	\$ 545,553	\$	\$ 560,427	\$	(14,874)	-3%
Net Pension Liability	2,071,915		928,173		1,143,742	123%
Revenue Bonds Payable	31,371,886		20,783,161		10,588,725	51%
Total	\$ 33,989,354	\$	\$ 22,271,761	\$	11,717,593	53%

	Fiscal Year 2018		Fiscal Year 2017		Change	Percent Change
Compensated Absences	\$ 560,427	\$	\$ 499,008	\$	61,419	12%
Net Pension Liability	928,173		1,621,008		(692,835)	-43%
Revenue Bonds Payable	19,983,161		20,748,437		(765,276)	
Total	\$ 21,471,761	\$	\$ 22,868,453	\$	(1,396,692)	-6%

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 \$650,370 were budgeted and funds expended were \$489,365 in 2019 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 2020. 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 pp. 74-77))

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 2021 for all infrastructure assets.

Additional information about the Modified Approach can be found in the Required Supplemental Information Section of this report (pp. 74- 77) and the Notes to the Financial Statements, Note 1, paragraph G, on p.52.

Economic Factors, Next Year’s (2020) 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 2.4% as of the end of December 31, 2019. Low unemployment is a factor in a strong economy. Currently, Utah is one of the strongest in the United States and is expected be strong in 2020
- The 2020 debt service for the 20-year revenue bonds, series 2017 and series 2019 will be two interest payments totaling \$534,703.00 on June 1, 2020, and two interest payments and one principle payment totaling \$1,361,139 on December 1. 2020. The current portion of the revenue bonds payable is \$825,000.

- The Utah State Tax Commission proposed certified tax rate property values for 2020 is \$9,124,450,104. According to the Davis County Assessor, property values are to increase 5.25% compared to 2019. The District has budgeted \$2,643,000 for property tax revenue in 2020. The District's certified tax rate for 2020 is .000226, a decrease of 3.5% (.000234) from 2019.
- 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 2%.in 2020.
- \$981,000 is budgeted for sewer line rehabilitations and spot repairs including cured in place pipe (CIPP) projects. \$351,000 for the collection system and lift stations, \$200,000 for treatment plants and \$230,000 for the resource recovery facility. It is projected that four to six new employees at a projected cost of \$700,000 will be needed in 2020 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, 2019, this was still in the planning and feasibility stage.
- A sewer service rate or property tax increase is possible for 2020. 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 District treatment plant rehabilitation expenses. 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, 2019 and 2018



SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2019 and 2018

	2019	2018
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,112,279	\$ 2,242,114
Investments	1,775,472	4,108,832
Receivables:		
Accounts receivable, sewer service charges	265,172	312,470
Accounts receivable, certified to county treasurer	84,011	32,775
Accounts receivable, special treatment charges	35,725	40,611
Accounts receivable, other	190,931	128,807
Accrued property taxes receivable	594,708	465,606
Accrued interest receivable	26,021	16,123
Inventory of supplies	13,742	12,458
Prepaid expenses	24,578	21,800
TOTAL CURRENT ASSETS	8,122,639	7,381,596
NONCURRENT ASSETS		
Restricted cash and cash equivalents	12,741,484	5,007,571
Investment in WRR, LLC	488,921	428,145
Reimbursable costs	34,798	42,759
Nondepreciable capital assets	92,641,227	92,963,590
Depreciable capital assets, net	9,035,766	2,289,865
TOTAL NONCURRENT ASSETS	114,942,196	100,731,930
TOTAL ASSETS	\$ 123,064,835	\$ 108,113,526
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	\$ 1,208,371	\$ 737,874

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2019 and 2018

	2019	2018
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,082,109	\$ 341,004
Accrued salaries & wages	139,634	108,788
Accrued payroll taxes	23,424	44,540
Accrued bond interest payable	89,117	69,814
Performance deposits and retainage	170,400	110,900
Current portion of accrued compensated absences	45,000	45,000
Current portion of revenue bonds payable	825,000	800,000
TOTAL CURRENT LIABILITIES	2,374,684	1,520,046
NONCURRENT LIABILITIES		
Noncurrent portion of revenue bonds payable, net of unamortized discount	31,371,886	19,983,161
Accrued compensated absences	535,553	560,427
Net pension liability	2,071,915	928,173
TOTAL NONCURRENT LIABILITIES	33,979,354	21,471,761
TOTAL LIABILITIES	\$ 36,354,038	\$ 22,991,807
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pensions	\$ 38,377	\$ 568,209
NET POSITION		
Net Investment in capital assets	\$ 69,480,107	\$ 74,470,294
Restricted for:		
Capital projects	10,725,278	2,942,223
Debt service	2,016,206	2,065,348
Unrestricted	5,659,200	5,813,519
TOTAL NET POSITION	\$ 87,880,791	\$ 85,291,384

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Sewer service charges	\$ 5,082,655	\$ 3,799,780
Sewer special treatment charges	383,725	336,261
Inspection, and project fees	113,135	93,980
Other operating revenues	464,083	470,537
TOTAL OPERATING REVENUES	6,043,598	4,700,558
OPERATING EXPENSES		
Personal services	3,778,279	4,149,354
Contractual services	507,855	498,347
Utilities	351,246	342,996
Repairs and maintenance	1,335,270	1,521,904
Other supplies and expenses	608,867	509,314
Insurance claims and expenses	127,876	99,031
Depreciation	279,873	285,891
TOTAL OPERATING EXPENSES	6,989,266	7,406,837
OPERATING LOSS	(945,668)	(2,706,279)
NONOPERATING REVENUES AND (EXPENSES)		
General property tax	2,272,062	2,483,497
Intergovernmental contributions	933,285	1,040,344
Impact fees	624,221	604,760
Interest income	184,810	306,480
Unrealized gain (loss) on investments	144,118	58,256
Bond interest expense	(891,791)	-
Bond issuance costs	(23,000)	-
Equity in earnings (losses) in subsidiary/JV activity	(1,046,350)	(124,039)
Gain (loss) on sale of plant equipment	98,114	256,975
TOTAL NONOPERATING REVENUES AND (EXPENSES)	2,295,469	4,626,273
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,349,801	1,919,994
DEVELOPER CONTRIBUTED SEWER LINES	1,239,606	897,985
CHANGE IN NET POSITION	\$ 2,589,407	\$ 2,817,979
NET POSITION - BEGINNING OF THE YEAR	85,291,384	82,473,405
NET POSITION - END OF THE YEAR	\$ 87,880,791	\$ 85,291,384

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,413,165	\$ 4,052,655
Payments to suppliers of goods and services	(3,650,010)	(3,155,927)
Payments to employees for services	(2,194,071)	(4,105,242)
Other receipts	577,218	564,517
NET CASH FLOWS FROM OPERATING ACTIVITIES	146,302	(2,643,997)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,142,960	2,409,250
Intergovernmental contributions	933,285	1,040,344
Impact fees collected	624,221	604,760
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	3,700,466	4,054,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of revenue bonds	12,179,000	-
Bond issuance costs paid	(23,000)	-
Bond principal paid	(800,000)	-
Bond interest paid	(837,763)	(837,763)
Proceeds from the sale of capital assets	98,114	560,112
Purchase of capital assets	(5,463,805)	(16,516,987)
Net receipt (refund) of performance deposits and retainages	59,500	64,800
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	5,212,046	(16,729,838)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	2,477,478	-
Contributions made to equity method investment	(1,107,126)	-
Interest income received	174,912	190,399
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,545,264	190,399
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	10,604,078	(15,129,082)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	7,249,685	22,378,767
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 17,853,763	\$ 7,249,685
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted cash and cash equivalents	\$ 5,112,279	\$ 2,242,114
Restricted cash and cash equivalents	12,741,484	5,007,571
TOTAL CASH AND CASH EQUIVALENTS	\$ 17,853,763	\$ 7,249,685

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, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (945,668)	\$ (2,706,279)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	279,873	285,891
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	47,298	(206,271)
Sewer service charges certified to county treasurer	(51,236)	1,816
Special treatment charges	4,886	(22,475)
Other	(62,124)	131,609
Property taxes	-	-
Inventory of construction and maintenance materials	(1,284)	(5,263)
Prepaid expenses	(2,778)	-
Reimbursed costs	7,961	11,935
Net pension asset	-	-
Deferred outflows of resources	(470,497)	332,206
Increase (decrease) in:		
Accounts payable	741,105	(179,072)
Accrued payroll	30,846	16,915
Accrued payroll taxes	(21,116)	(34,185)
Accrued compensated absences	(24,874)	61,419
Net pension liability	1,143,742	(692,835)
Deferred inflows of resources	(529,832)	360,592
NET CASH FROM OPERATING ACTIVITIES	\$ 146,302	\$ (2,643,997)
 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	 \$ 1,239,606	 \$ 897,985
The District capitalized interest paid and accrued on revenue bonds payable.	\$ -	\$ 906,805
Change in fair value of investments not reported as cash and cash equivalents.	\$ 181,213	\$ (32,325)

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, 2019 and 2018

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 81-82. 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, 2019 and 2018

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, 2019 and 2018, \$-0- and \$906,805 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, 2019 and 2018

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, 2019 and 2018

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:

	2019	2018
Carrying amount (book balance)	\$ 460,393	\$ 466,519
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	329,494	256,106
TOTAL BANK BALANCE	\$ 579,494	\$ 506,106
	2018	2018
Cash on deposit	\$ 460,393	\$ 466,519
Cash on hand	725	725
TOTAL	\$ 461,118	\$ 467,244

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).

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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 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, 2019, and 2018, the District had the following investments:

December 31, 2019

Investment Type	Fair Value	Fair Value Measurement Classification		
		Level 1	Level 2	Level 3
Utah Public Treasurer's Investment Fund (PTIF)	17,392,645	17,392,645	-	-
Cash & cash equivalents	3,095	3,095	-	-
Federal agency bonds	250,000	250,000	-	-
Corporate bonds	1,154,015	-	1,154,015	-
Other fixed income securities	368,362	368,362	-	-
Total investments	\$ 19,168,117	\$ 18,014,102	\$ 1,154,015	\$ -

December 31, 2018

Investment Type	Fair Value	Fair Value Measurement Classification		
		Level 1	Level 2	Level 3
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	\$ 2,582,380	\$ 8,376,827	\$ -

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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, 2019, and 2018, the District had the following investments and maturities:

<u>December 31, 2019</u>					
<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)	17,392,645	17,392,645	-	-	-
Cash & cash equivalents	3,095	3,095	-	-	-
Federal agency bonds	250,000	250,000	-	-	-
Corporate bonds	1,154,015	1,154,015	-	-	-
Other fixed income securities	368,362	368,362	-	-	-
Total investments	<u>\$ 19,168,117</u>	<u>\$ 19,168,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>December 31, 2018</u>					
<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)	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, 2019 and 2018

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, 2019 and 2018:

<u>December 31, 2019</u>					
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurer's					
Investment Fund (PTIF)	17,392,645				17,392,645
Cash & cash equivalents	3,095	3,095			
Federal agency bonds	250,000	250,000			
Corporate bonds	1,154,015		1,154,015		
Other fixed income securities	368,362		368,362		
Total investments	<u>\$ 19,168,117</u>	<u>\$ 253,095</u>	<u>\$ 1,522,377</u>	<u>\$ -</u>	<u>\$ 17,392,645</u>

<u>December 31, 2018</u>					
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
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>\$ 1,584,015</u>	<u>\$ 2,593,872</u>	<u>\$ -</u>	<u>\$ 6,781,320</u>

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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, 2019, the District's investment in WRR represents amounts contributed to WRR less the District's equity in the accumulated earnings (losses) as of December 31, 2019.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2019, are as follows:

	<u>12/31/2018</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2019</u>
Nondepreciable capital assets:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	29,951,777	4,662,003	(21,248,748)	13,365,032
Infrastructure:				
Sewer treatment facility and collection system	73,614,836	16,264,382	-	89,879,218
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,673,591)	-	-	(13,673,591)
Total nondepreciable capital assets	<u>92,963,590</u>	<u>20,926,385</u>	<u>(21,248,748)</u>	<u>92,641,227</u>
Depreciable capital assets:				
Machinery and equipment	1,598,265	7,398,658	-	8,996,923
Mobile equipment	3,894,063	287,657	(732,915)	3,448,805
Office furniture and equipment	485,091	25,547	-	510,638
Total depreciable capital assets at historical cost	<u>5,977,419</u>	<u>7,711,862</u>	<u>(732,915)</u>	<u>12,956,366</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,464,151)	(62,525)	-	(1,526,676)
Mobile equipment	(1,693,248)	(185,214)	46,829	(1,831,633)
Office furniture and equipment	(530,157)	(32,134)	-	(562,291)
Total accumulated depreciation	<u>(3,687,556)</u>	<u>(279,873)</u>	<u>46,829</u>	<u>(3,920,600)</u>
Depreciable capital assets, net	<u>2,289,863</u>	<u>7,431,989</u>	<u>(686,086)</u>	<u>9,035,766</u>
Total capital assets, net	<u>\$ 95,253,453</u>	<u>\$ 28,358,374</u>	<u>\$ (21,934,834)</u>	<u>\$ 101,676,993</u>

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	72,587,228	1,027,608	-	73,614,836
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,673,591)	-	-	(13,673,591)
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>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

7. NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended December 31, 2019 and 2018 is as follows:

<u>December 31, 2019</u>					
	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Revenue Bonds Payable	20,783,161	12,179,000	(765,275)	32,196,886	825,000
Compensated absences	560,427	269,492	(249,366)	580,553	45,000
Net pension liability	928,173	1,143,742	-	2,071,915	-
Total investments	<u>\$ 22,271,761</u>	<u>\$ 13,592,234</u>	<u>\$ (1,014,641)</u>	<u>\$ 34,849,354</u>	<u>\$ 870,000</u>

<u>December 31, 2018</u>					
	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>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>

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.

Series 2019 Revenue Bonds

The Series 2019 Bonds were issued for the purpose of (a) equipment and expenses of the nutrient removal facility, (b) improvements to the District's south and north plant, and (c) pay costs associated with the issuance of Series 2019 Bonds.

The Series 2017 Bonds were issued under the Master Resolution on parity with the 2017A bonds and have a parity of revenue on the District's system and projects.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

The Series 2017A and Series 2019 Bonds bear interest from their dated date at the rates set forth as follows:

Series 2017A Bonds			Series 2019 Bonds		
Maturity (December 1)	Interest Rate	On Principal Amount of	Maturity (December 1)	Interest Rate	On Principal Amount of
2020	3.000%	\$ 825,000	2020	2.050%	\$ 504,000
2021	3.000%	850,000	2021	2.050%	508,000
2022	3.000%	875,000	2022	2.050%	519,000
2023	3.250%	900,000	2023	2.050%	529,000
2024	3.375%	930,000	2024	2.050%	540,000
2025	3.500%	960,000	2025	2.050%	551,000
2026	3.625%	995,000	2026	2.050%	562,000
2027	4.125%	1,030,000	2027	2.050%	574,000
2028	4.125%	1,075,000	2028	2.050%	586,000
2029	4.125%	1,120,000	2029	2.050%	598,000
2030	4.125%	1,165,000	2030	2.050%	610,000
2031	4.125%	1,215,000	2031	2.050%	622,000
2032	4.125%	1,260,000	2032	2.050%	635,000
2033	4.500%	1,315,000	2033	2.050%	648,000
2034	4.500%	1,375,000	2034	2.050%	661,000
2035	4.500%	1,435,000	2035	2.290%	675,000
2036	4.500%	1,500,000	2036	2.290%	690,000
2037	4.500%	1,570,000	2037	2.290%	706,000
		<u>\$20,395,000</u>	2038	2.290%	722,000
			2039	2.290%	739,000
					<u>\$12,179,000</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

The following table shows the remaining aggregate debt service schedule:

Fiscal Year Ended December 31	Series 2017A Bonds	Series 2019 Bonds	Total
2020	1,638,763	257,080	1,895,843
2021	1,639,013	788,516	2,427,529
2022	1,638,513	788,651	2,427,164
2023	1,637,263	788,560	2,425,823
2024	1,638,013	788,244	2,426,257
2025	1,636,625	788,703	2,425,328
2026	1,638,025	787,915	2,425,940
2027	1,636,956	788,902	2,425,858
2028	1,639,469	788,623	2,428,092
2029	1,640,125	788,097	2,428,222
2030	1,638,925	788,326	2,427,251
2031	1,640,869	788,288	2,429,157
2032	1,635,750	787,983	2,423,733
2033	1,638,775	788,412	2,427,187
2034	1,639,600	788,554	2,428,154
2035	1,637,725	788,409	2,426,134
2036	1,638,150	788,288	2,426,438
2037	1,640,650	788,800	2,429,450
2038	-	788,923	788,923
2039	-	788,656	788,656
	<u>\$29,493,209</u>	<u>\$15,237,930</u>	<u>\$44,731,139</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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%

* Actuarial reductions are applied

** 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, 2019 and 2018

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, 2019 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
11 Local Government Div - Tier 1	6.00	14.46	N/A
111 Local Government Div - Tier 2	N/A	15.66	1.03
Noncontributory System			
15 Local Government 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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 300,655	N/A
Contributory System	48,770	20,237
Tier 2 Public Employee Systems	108,954	-
Tier 2 DC Only System	4,035	N/A
Total Contributions	\$ 462,414	\$ 20,237

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, 2019 and 2018

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

At December 31, 2019, we reported a new pension asset of \$-0- and a net pension liability of \$2,071,915.

	<u>(Measurement Date): December 31, 2018</u>			Proportionate Share Dec 31, 2017	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
	Noncontributory System	\$ -	\$ 1,365,319		
Contributory System	\$ -	\$ 693,461	1.7087889%	1.5504906%	0.1582983%
Tier 2 Public Employees System	\$ -	\$ 13,165	0.0307391%	0.0137612%	0.0169779%
	<u>\$ -</u>	<u>\$ 2,071,945</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, 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, 2019, we recognized pension expense of \$605,803.

At December 31, 2019, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,652	\$ 28,186
Changes in assumptions	\$ 186,200	\$ 237
Net difference between projected and actual earnings on pension plan investments	\$ 516,287	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 25,818	\$ 9,954
Contributions subsequent to the measurement date	\$ 462,414	\$ -
	<u>\$ 1,208,371</u>	<u>\$ 38,377</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, 2018.

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:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 304,399
2020	\$ 91,107
2021	\$ 62,248
2022	\$ 246,166
2023	\$ 439
Therafter	\$ 3,221

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

Actuarial assumptions

The total pension liability in the December 31, 2018, 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, 2018, 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%	2.85%	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 6.95% 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, 2019 and 2018

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

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	\$ 2,798,167	\$ 1,365,319	\$ 172,135
Contributory System	1,472,041	693,431	38,003
Tier 2 Public Employee System	52,741	13,165	(17,378)
Total	\$ 4,322,949	\$ 2,071,915	\$ 192,760

*** *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:

	2019	2018	2017
401(k) Plan			
Employer Contributions	\$ 50,808	\$ 43,195	\$ 38,445
Employee Contributions	\$ 119,194	\$ 107,853	\$ 126,220
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 52,020	\$ 36,700	\$ 33,510
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 19,403	\$ 17,646	\$ 14,847

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

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, 2019 and 2018, respectively. Revenues from impact fees were \$624,221 and \$604,760 for the year ended December 31, 2019 and 2018, respectively.

11. CONTINGENCY

On December 18, 2019, the Utah Division of Water Quality ("DWQ") issued a Notice of Violation and Compliance Order (Docket No. UTM-19-06) to the South Davis Sewer District (the "District"), alleging violations of Utah Water Quality Regulations (Utah Administrative Code R305-7 et seq. ("Regulations")) and the Utah Water Quality Act (Title 19, Chapter 5 of the Utah Code (the "Act") for exceedances of certain nitrogen and ammonia ("Nitrogen") effluent limitations under the UPDES Discharge Permit ("UPDES Permit") for the District's South Sewage Treatment Plant (the "South Plant") over the period July 2019 through October 2019. On March, 17, 2020, the DWQ issued a Notice of Violation and Compliance Order (Docket No. UTM-20-01) to the District, alleging violations of Utah Water Quality Regulations and the Act for exceedances of certain Nitrogen effluent limitations under the UPDES Permit for the South Plant over the period of December 2019 and January 2020, and for failure to implement an industrial pretreatment program for the Wasatch Resource Recovery ("WRR") facility located adjacent to the South Plant. References in this footnote to the "NOV" refer to both Notices of Violation and Compliance Orders. The District responded timely to the Compliance Orders under the NOVs and, in communication with DWQ, has been undertaking efforts to identify the sources of Nitrogen in the South Plant's effluent and to implement interim and final corrective and curative actions. It is probable that civil penalties (which under the Act may range up to \$10,000 per day of violation depending on various factors) will be assessed by DWQ and that one or more additional NOVs may be issued until DWQ is satisfied that the South Plant is in full compliance; and a civil proceeding is reasonably possible. At this time, it is not possible to accurately estimate the amount of the costs that may be incurred or fines and penalties that may be assessed to fully resolve the NOVs. However, the District is confident that it has the financial and other resources necessary to satisfy DWQ's requirements.

In addition, the City of North Salt Lake ("City") issued a Notice of Code Violation, Case No. CDV2020-001, dated May 5, 2020 ("Notice") to the District, alleging a violation of the City's Code for emitting offensive odors from the South Plant. Civil penalties of up to \$100.00 per day could be assessed for each day the violation continues and further action by the City is reasonably possible. The District responded promptly to the Notice and, in communication with the City, has taken and is taking steps to resolve the Notice and mitigate any offending odors from the South Plant, and expects those efforts to be successful.

SOUTH DAVIS SEWER DISTRICT

**Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018**

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REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2019

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

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

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

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

The District makes use of a physical condition assessment of its collection system, treatment plant facilities and the resource recovery facility that began January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with *GASB Statement No. 34*. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2019 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 374 miles (1,975,309 feet) of sewer lines, 8,981 sections of line, 8,754 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 8% was inspected by closed circuit television (CCTV) in 2019 (see Collection System GIS TV and Cleaning Maps in this section).

The District expended \$489,365 on maintenance or preservation of its infrastructure assets for the year ended December 31, 2019. 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 98, 95 and 52 rehabilitation projects for CIPP on sewer lateral lines in 2019, 2018 and 2017 for a total cost of \$47,145, 47,880 and \$12,570 respectfully.

The District developed condition grade scales to provide a means of rating the assets during each condition assessment. The assets are assessed for several possible defects which are assigned a relative weight. Those weights are then normalized to sum to one (100%). The assigned condition grade score for each possible defect is multiplied by the normalized relative weight to yield a weighted defect score. The weighted defect scores are totaled for each asset yielding a total asset rating that will range from 1 to 5. The District has set a minimum service level of 3 (moderate/fair) for all infrastructure assets.

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

Condition	Treatment Facilities			Collection Line Segments			Manholes			Lift Stations		
	2019	2017	2015	2019	2017	2015	2019	2017	2015	2019	2017	2015
Very Good	783	675	623	653	548	890	1540	1212	1440	11	11	11
Good	72	3	2	17	15	24	32	25	18			
Fair	12	18	4	85	56	0	12	18	17			
Poor	2	2	4	28	27	15	8	3	12			
Very Poor	1		1	3				1				

In 2019, the District performed 786 condition assessments of line segments for the collection system, calculated in accordance with *GASB Statement No. 34* guideline. The District also performed an assessment of both treatment plant facilities, 1,592 manholes, and 11 lift stations. The condition assessment of the 808-line segments identified 32 deficiencies in line segments and 31 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 2019. 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 2021.

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:

Estimated	2015	2016	2017	2018	2019
	\$714,977	\$668,287	\$691,323	\$672,067	\$650,370
Actual	2015	2016	2017	2018	2019
	\$515,366	\$782,817	\$557,777	\$517,768	\$489,365

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030 is estimated to be \$650,370 per year. This figure was arrived at by taking the average expenditures from 2010 to 2019 and adding 2.0% for inflation ($\$637,618 \times 1.020 = \$650,370$).

Funds totaling \$981,000 are budgeted for fiscal year 2020 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$351,000 Collection System
 \$400,000 Plant & Equipment Facilities
 \$230,000 Resource Recovery Facility

The amount estimated to achieve the 2019 minimal target conditional assessment is \$650,370 and the actual cost was \$489,365. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

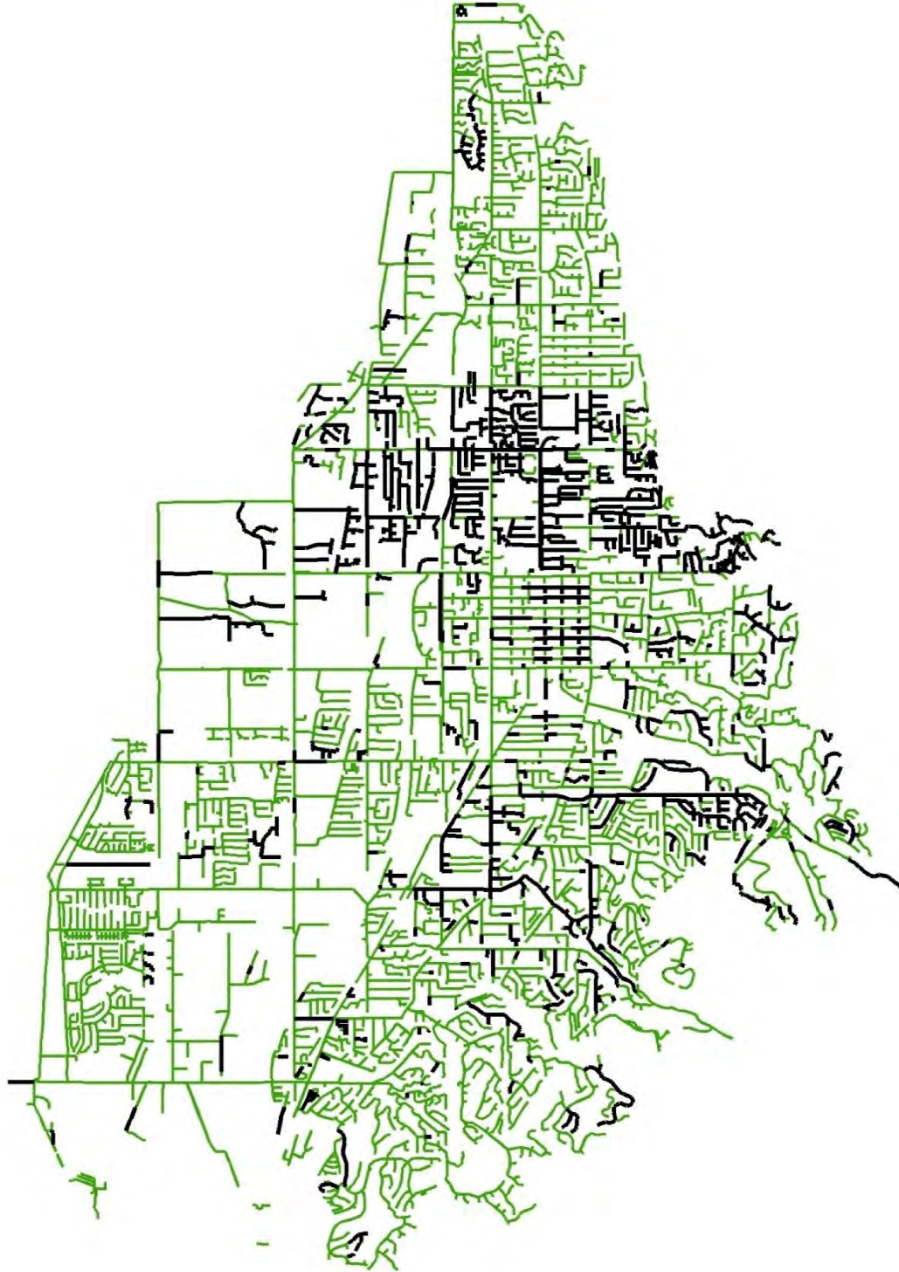
The Environmental Protection Agency (EPA) reports that much of the nation's infrastructure is deteriorating due to old age and lack of maintenance. Neglecting or deferring maintenance of an asset to the point of failure will cost more in the long run than carrying out routine maintenance.

SOUTH DAVIS SEWER DISTRICT

2018 Collection System Statistics
Year Ending December 31, 2018

TV INSPECTIONS

2016-2018



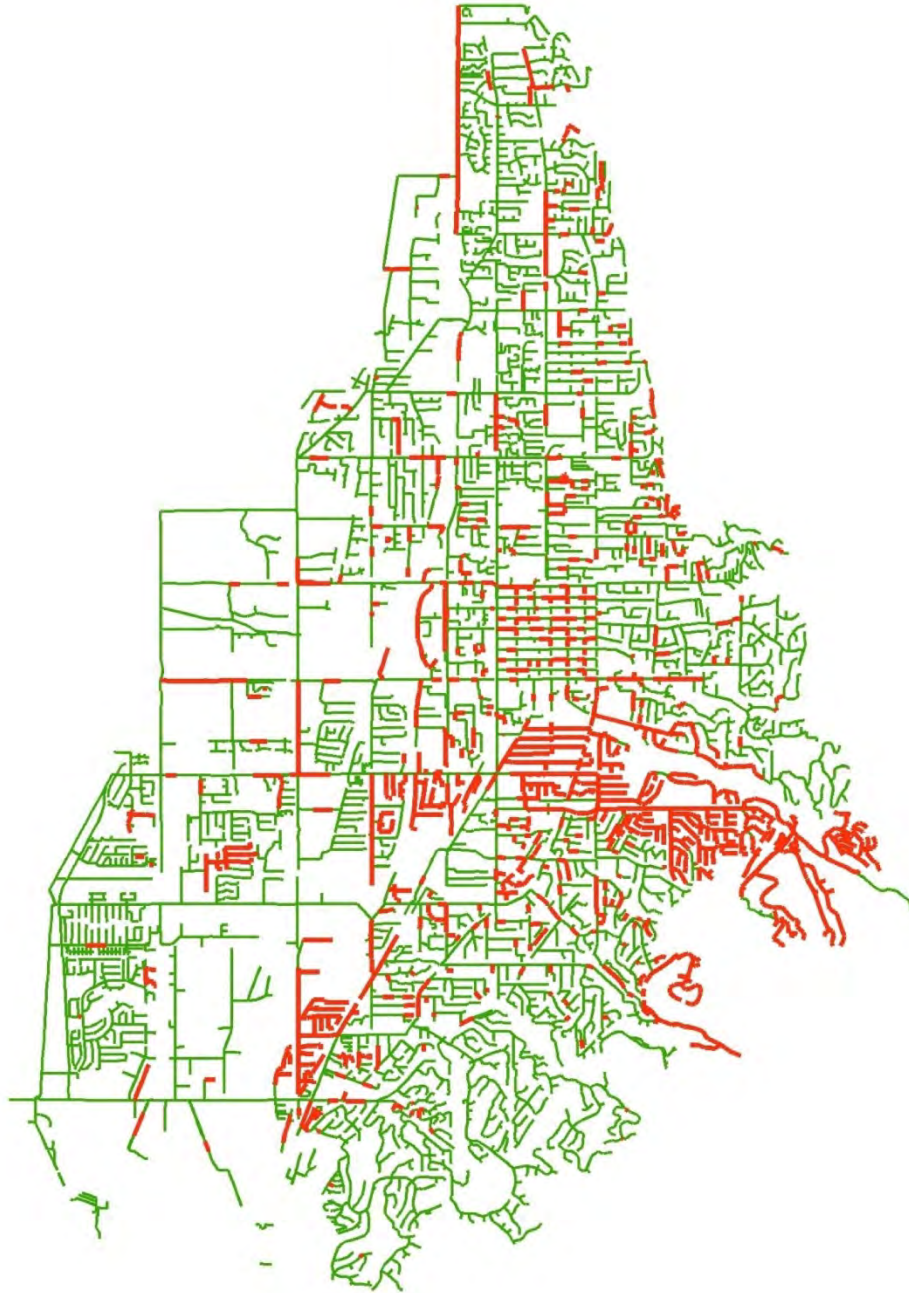
Pipe sections that were TV'ed between 2016 and 2018 are shown above in black.

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, 2019
With a Measurement Date of December 31, 2018
Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31,	2019	2018	2017	2016	2015
Proportion of net pension liability (asset)	0.1854115%	0.1827746%	0.1859885%	0.1773809%	0.1714837%
Proportionate share of the net pension liability (asset)	\$ 1,365,319	\$ 800,790	\$ 1,194,274	\$ 1,003,707	\$ 744,623
Covered payroll	\$ 1,627,788	\$ 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	83.88%	48.25%	70.12%	63.53%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	87.0%	91.9%	87.3%	87.8%	90.2%
Contributory System for the Fiscal Years Ended December 31,	2019	2018	2017	2016	2016
Proportion of net pension liability (asset)	1.7087889%	1.5504906%	1.2969910%	0.6854172%	0.5162013%
Proportionate share of the net pension liability (asset)	\$ 693,431	\$ 126,170	\$ 425,557	\$ 481,749	\$ 148,895
Covered payroll	\$ 319,834	\$ 314,619	\$ 311,199	\$ 292,048	\$ 275,901
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	216.81%	40.10%	136.75%	164.96%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	91.2%	98.2%	92.9%	85.7%	94.0%
Tier 2 Public Employee System for the Fiscal Years Ended December 31,	2019	2018	2017	2016	2016
Proportion of net pension liability (asset)	3.0739100%	0.0137612%	0.0105558%	0.0067634%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ 13,165	\$ 1,213	\$ 1,177	\$ (15)	\$ (242)
Covered payroll	\$ 359,127	\$ 134,222	\$ 86,566	\$ 43,693	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	3.67%	0.90%	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.8%	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, 2019

	As of fiscal year ended December 31,*	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered 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%
	2019	300,655	300,655	-	1,637,481	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%
	2019	48,770	48,770	-	337,278	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%
	2019	108,954	108,954	-	697,698	15.62%
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%
	2019	4,035	4,035	-	60,308	6.69%

* Only fiscal years 2014-2019 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

SOUTH DAVIS SEWER DISTRICT

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2019

Changes in Assumptions:

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual (Unaudited)
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 2,500,000	\$ 5,200,000	\$ 5,066,747	\$ (133,253)
Sewer Special Treatment	100,000	200,000	383,725	183,725
Inspection Fees	9,000	25,000	22,535	(2,465)
Project Fees	30,000	50,000	90,600	40,600
Permit Fees	7,000	6,000	5,500	(500)
Sampling Fees	6,000	12,000	18,349	6,349
Lab Testing Fees	50,000	32,000	31,186	(814)
Taxable Sales	5,000	3,000	1,184	(1,816)
Misc Income	81,000	210,000	277,764	67,764
Total	2,788,000	5,738,000	5,897,589	159,589
Non-operating Revenues				
Property Taxes	2,369,000	2,477,000	2,272,062	(204,938)
Impact Fees	550,000	500,000	624,221	124,221
Delinquent Account Administration Fees	135,000	135,000	130,100	(4,900)
Interest	105,000	100,000	184,810	84,810
Surplus Property Sales	572,000	310,000	399,015	89,015
WFWQC Contributions	780,000	840,000	815,700	(24,300)
Total	4,511,000	4,362,000	4,425,909	63,909
Total Revenue	7,299,000	10,100,000	10,323,498	223,498
EXPENSES				
Operating Expenses				
Operating Expenses	1,143,000	539,000	407,806	131,194
Repairs & Maintenance		511,000	264,667	
Utilities	350,000	392,000	387,628	4,372
Payroll and Benefits	4,297,000	3,841,000	3,766,402	74,598
Biosolid Disposal	20,000	60,000	21,511	38,489
No-Fault Sewer Back-up	25,000	10,000	13,422	(3,422)
Outside Services	707,000	598,000	513,660	84,340
Chemicals	430,000	480,000	569,522	(89,522)
Lab Testing	200,000	173,000	144,295	28,705
Transportation	55,000	60,000	51,722	8,278
Buildings & Grounds	71,000	33,000	37,899	(4,899)
Office & Computer	193,000	194,000	124,553	69,447
Insurance	92,000	108,000	114,454	(6,454)
Audit & Accounting	28,000	22,000	17,195	4,805
Education & Training	63,000	73,000	114,916	(41,916)
Total	7,674,000	7,094,000	6,549,651	298,016

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, 2019

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Outfall/Sewer Lines	-	100,000	-	100,000
Operating Equipment	-	37,000	5,092	31,908
Building and Facilities	40,172,000	3,100,000	4,662,003	(1,562,003)
Mobile Equipment	410,000	450,000	287,657	162,343
Major Equipment & Engineering	100,000	100,000	-	100,000
Office Equipment	20,000	40,000	73,734	(33,734)
Other				
Bond Legal and Costs	25,000	948,782	800,000	148,782
Debt Service Interest	2,205,425	837,763	767,949	69,814
Total	42,932,425	5,613,545	6,596,435	(982,890)
-				
Total Expenses	50,606,425	12,707,545	13,146,086	(684,875)
-				
Excess of Revenue over Expenses	\$ (43,307,425)	\$ (2,607,545)	\$ (2,822,589)	\$ (215,044)

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
For the Year Ending December 31, 2019

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Sahara Redwood	Bldg D	1/8/2019	\$ 3,157.40	
Kinross Est	Lot 12	1/9/2019	1,596.00	
Sycamore Grove PUD	Lots 7 & 8	1/10/2019	3,192.00	
Deer Hollow	Lot 2	1/17/2019	1,596.00	
Brown's Park	Lot 11	1/18/2019	1,596.00	
			\$	11,137.40
Kinross Est	Lot 13 & 17	2/15/2019	3,192.00	
Shamrock Village	Lot 209	2/20/2019	1,596.00	
Centerville Gateway	Lot 2	2/21/2019	1,566.00	
			\$	6,354.00
Monors @ McKean Meadows	Lot 3	3/6/2019	\$ 1,596.00	
Cove Townhomes	Lot 7 to 48 (45 Units)	3/8/2019	71,820.00	
Shamrock Village	Lots 301, 302, 303, 304	3/11/2019	6,384.00	
Shamrock Village	Lots 305 314 & 315	3/11/2019	4,788.00	
NSL City Center	Lot 57	3/20/2019	1,596.00	
Kinross Est	Lot 1,18, & 22	3/20/2019	23,940.00	
Olde Town Center	Lots Bldgs 1, 2, & 3	3/22/2019	4,788.00	
Oak Hollow Est	Lot 57	3/22/2019	1,596.00	
5th West Office Park	Lot 4	3/25/2019	5,985.00	
Woodland	Lot 3	3/28/2019	858.00	
			\$	123,351.00
Shamrock Village	Lots 311, 312, & 308	4/1/2019	\$ 4,788.00	
Chapel Ridge Cove	Lot 6	4/1/2019	1,596.00	
SDC Investments	111 S Frontage Rd	4/1/2019	1,017.60	
Kinross Est	Lots 14 & 16	4/2/2019	3,192.00	
Hoban Investments	154 W 100 S Bntfl	4/2/2019	1,596.00	
Stringham Farms	Lot 9	4/3/2019	1,596.00	
Cottages at Hawnwood	Lot 1	4/5/2019	1,596.00	
City Edge Central HOA	190 S Hwy 89 NSL	4/9/2019	12,768.00	
City Edge Central HOA	6 units	4/9/2019	9,576.00	
Hepworth One and One	105 S 100 W Bntfl 12 units	4/9/2019	17,556.00	
Olsen Farm Est	Lot 2	4/11/2019	1,596.00	
Shamrock Village	Lots 306, 307,309, 310, 313	4/15/2019	7,980.00	
Kinross Est	Lots 28 21 31	4/9/2019	4,788.00	
Lakeview Terrace	Lot 29	4/24/2019	1,596.00	
Willow Farm Est	Lot 1	4/25/2019	1,596.00	
Stone Creek Est	Lot 104	4/25/2019	1,596.00	
Manors @ McKean Meadows	Lots 1 & 5	4/30/2019	3,192.00	
			\$	77,625.60
Eagle Point Est	Lot 16	5/2/2019	\$ 1,596.00	
Bountiful City	Slagwood lot 1	5/6/2019	1,596.00	
Kinross Est	Lot 33	5/4/2018	1,596.00	
Creekwood of Indian Springs	Lot 17	5/7/2019	1,596.00	
Frasier Sub	Lot 2	5/7/2019	1,596.00	
Chapel Ridge Cove	Lot 9	5/13/2019	1,596.00	
M & B	850 W 600 S	5/17/2019	1,596.00	
Onion St Garden	Lot 1	5/22/2019	1,596.00	
			\$	12,768.00

Renaissance Ct	40 Units	6/6/2019	\$ 63,840.00	
Renaissance Ct	Lot 9	6/6/2019	3,990.00	
NSL City Center	Lot 57	6/7/2019	1,596.00	
Mountain View Est	Lot 32	6/10/2019	1,596.00	
Beard Construction	167 N 1450 W WB	6/12/2019	1,596.00	
North Canyon	Lot 17	6/12/2019	1,596.00	
Kinross Est	Lot 30	6/17/2019	1,596.00	
Pipe Fab	2389 S 1100 W WX	6/20/2019	2,623.40	
Manors @ McKean Meadows	Lot 8	6/24/2019	1,596.00	
Olsen Ranches	Lot 2	6/24/2019	1,596.00	
Moss Acres Farms	Lot 1	6/27/2019	1,596.00	
				\$ 83,221.40
Kinross Est	Lots 11 & 26	7/8/2019	\$ 3,192.00	
Town Plaza	Lots 141 142 151 152 149 150 130 147 145 149	7/2/2018	17,556.00	
Town Plaza	Lots 137, 138, 139 140	7/16/2019	6,384.00	
Kinross Est	Lots 29 & 32	7/22/2019	3,252.00	
				\$ 30,384.00
Moss Acres Farms	Lot 4	8/2/2019	\$ 1,596.00	
5th West Office Park	Condos 1-8	8/2/2019	3,351.60	
G&G Sub Commercial	Lot 3	8/1/2019	3,910.20	
Mountain View Est	Lot 118	8/7/2019	1,596.00	
Sunrise Ridge	Lot 204	8/7/2019	1,596.00	
Mountain View Est	Lot 131	8/9/2019	1,596.00	
Parrish Creek	Lot 2	8/12/2019	1,596.00	
Mountain View Est	Lot 105	8/14/2019	1,596.00	
Moss Acres Farms	Lot 2	8/16/2019	1,596.00	
Mountain View Est	Lot 135	8/29/2018	1,596.00	
Bamberger Station	Lot 2	8/23/2019	1,596.00	
Maple Hills	Lot 116	8/26/2019	1,596.00	
Mountain View Est	Lot 126	8/27/2019	1,596.00	
Mountain View Est	Lot 128	8/28/2019	1,596.00	
Shamrock Village	Lots 401 402 403 434 435 436	8/30/2019	9,576.00	
				\$ 35,989.80
Mountain View Est	Lor 102 109	9/5/2019	\$ 3,192.00	
Olde Town Center	Bldg 5	9/16/2019	7,980.00	
North Wood Bus Center	Lot 17	9/13/2019	2,074.80	
Chevron Trailer Park	685 S Chevron Way	9/16/2019	1,596.00	
NSL City Center	Bldgs 7 1 2	9/17/2019	25,536.00	
Winnie PUD	Units 40-47	9/17/2019	12,768.00	
Cannonwood Ind Park	Lot 1	9/19/2019	1,596.00	
Highgate Est	Lot 12	9/23/2023	1,596.00	
Bountiful Bench	Lot 206	9/23/2019	1,596.00	
Shamrock Village	Lots 404 405 431 432 433	9/27/2019	7,980.00	
				65,914.80
Manors @ McKean Meadows	Lot 2	9/30/2019	\$ 1,596.00	
Mountain View Est	Lot 120	9/30/2019	1,596.00	
Winnie PUD	6 units	10/2/2019	9,576.00	
Stringham Farms	Lot 3	10/5/2018	1,596.00	
Manors @ McKean Meadows	Lot 11	10/7/2019	1,596.00	
Westside Ind Park	Lot 2	10/8/2019	8,618.40	
Parish Creek	Lot 2	10/8/2019	2,394.00	
Star Heights	Lot 4	10/9/2019	1,596.00	
Parrish Creek	Lot 2	10/9/2019	3,012.60	
Shamrock Village	Lots 406 410 429 430	10/11/2019	6,384.00	
NSL Ind Park	Lot 2A	10/15/2019	7,660.80	
Shamrock Village	Lot 407	10/17/2019	1,596.00	
Views @ Eaglewood	Lot 2	10/18/2019	1,596.00	
Chelsea Cove II	Lot 1101	10/21/2019	1,596.00	
Shamrock Village	Lot 408	10/25/2019	1,596.00	
Stone Creek Est	Lot 112	10/25/2019	1,596.00	
Shamrock Village	Lot 409	10/29/2019	1,596.00	
Manors @ McKean Meadows	Lot 13	10/29/2019	1,596.00	
				\$ 56,797.80

Quick Quack Car Wash	2566 S 500 W	11/1/2019	\$ 10,453.80	
City Edge Central HOA	15 Units	10/8/2019	23,940.00	
Stone Creek Est	Lot 36	11/13/2019	1,596.00	
Hughs Park	Lot 14	11/13/2019	2,234.40	
Seifert Sub	Lot 2	11/14/2019	1,596.00	
Shamrock Village	Lot 402	11/15/2019	1,596.00	
NSL Town Homes	155 N Main St NSL	11/18/2019	12,768.00	
Sheffield Downs	Lots 2 3 7	11/18/2019	4,788.00	
Parkway Commercial	Lot 21	11/19/2019	3,910.20	
Mountain View Est	Lot 106	11/21/2019	1,596.00	
				\$ 64,478.40
Blue Mt	Lot 2	11/28/2019	\$ 3,511.20	
Eagle Point Est	Lot 1814	12/2/2019	1,596.00	
Shamrock Village	Lots 411 412 427 426 413	12/5/2019	7,980.00	
Manors @ McKean Meadows	Lot 9	12/5/2019	1,596.00	
Rigby Court Sub	Lot 2	12/9/2019	1,596.00	
Sheffield Downs	Lot 15	12/10/2019	1,596.00	
Pine Terrace Apts	4281 S Hwy 89 NSL	12/10/2019	1,596.00	
Shamrock Village	Lots 414 425 415 422 423 424	12/11/2019	9,576.00	
Mountain View Est	Lots 112 130	12/15/2019	3,192.00	
Eaglewood Village	Lot 1	12/16/2019	12,049.80	
NSL City Center	Bldg 3	12/18/2019	7,980.00	
Mountain View Est	Lot 117	12/24/2019	1,596.00	
Eaglewood Village	Lot 327	12/26/2019	1,596.00	
NSL Ind Park	Lot 13	12/28/2019	798.00	
				\$ 56,259.00
Grand Total			\$ 624,281.20	
GL Adjustment			\$ 60.00	
GL Adjusted Total			\$ 624,221.20	

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

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

The District's impact fee was \$1,456 per residence or residential equivalent (EDU) from January 1, 2012 to September 20, 2012. This impact fee was increased to \$1,596 per EDU beginning September 20, 2012. This increase was the result of a impact fee analysis performed by Zions Public Finance. The capital facility plan was performed based upon Utah State Code; 11-36a-102. The Board of Trustees passed and adopted Resolution 136-2012 in conjunction with a public hearing that was held on June 21, 2012. The effective date for Resolution 136-2012 was September 21, 2012.



South Davis Sewer District
Local Government

December 31, 2019
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, 2019 and their scheduled intended use.

Chief Financial Officer

South Davis Sewer District
Local Government

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	88
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	90
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>	98
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>	103
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>	108

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

	2019	2018	*2017	2016	*2015	2014	2013	*2012	2011	2010
Assets										
Current & Other Assets	\$ 8,597,216	\$ 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
Restricted Assets	12,790,626	5,007,571	16,200,816			-	-	-	-	-
Capital	101,676,993	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
Total Assets	\$ 123,064,835	\$ 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
Deferred Outflows of Resources	1,208,371.00	737,874.00	1,070,080.00	900,460.00	361,388.00	-	-	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 124,273,206	\$ 108,851,400	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065					
Liabilities										
Current Liabilities	\$ 2,374,684	\$ 720,046	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292
Non-Current Liabilities	33,979,354	22,271,761	22,868,453	1,948,777	1,343,615	403,555	381,180	373,624	370,027	311,618
Total Liabilities	\$ 36,354,038	\$ 22,991,807	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524	\$ 639,910
Deferred Inflows of Resources	38,377	568,209	207,617	128,199	127,979					
Total Liabilities & Deferred Inflows of Resources	\$ 36,392,415	\$ 23,560,016	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914					
Net Position:										
Net Investment in Capital Assets	\$ 69,480,107	\$ 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
Restricted - Capital	10,725,278	2,942,223	14,184,170							
Restricted - Debt Service	2,016,206	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
Unrestricted	5,659,200	5,813,519	9,535,817							
Total Net Position	\$ 87,880,791	\$ 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

Source: District accounting and financial records.

Notes: ¹SDDSD 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

⁴The 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

68

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating Revenues										
Sewer Service Fees	\$ 5,082,655	\$ 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
Sewer Special Treatment Fees	383,725	336,261	205,292	197,526	180,779	213,554	255,804	180,475	168,374	144,771
Inspection & Project Fees	113,135	93,980	34,276	33,730	20,470	40,200	52,460	77,980	27,210	8,145
Other	464,083	470,537	454,201	278,265	295,526	253,912	334,343	247,124	178,195	146,055
Total Operating Revenue	\$ 6,043,598	\$ 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
Operating Expenses										
Operating & Maintenance	\$ 6,709,393	\$ 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
Depreciation	279,873	285,891	323,330	326,654	278,380	342,111	360,330	327,082	295,415	265,475
Total Operating Expenses	\$ 6,989,266	\$ 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
Operating Income (Loss)	\$ (945,668)	\$ (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)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,272,062	\$ 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
Impact Fees	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462
Miscellaneous Revenue	-	-	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955
Intergovernmental Contributions	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000
Project Grant	-	-	-	-	-	-	69,418	178,113	-	-
Interest Income	184,810	306,480	302,862	178,050	94,186	75,657	81,659	213,508	158,551	105,190
Gain (Loss) on Disposal of Property	98,114	256,975	87,959	36,394	33,603	104,325	43,625	29,866	198,630	38,559
Interest & Bond Costs	(914,791)	-	(483,601)	-	-	-	-	-	-	-
Net Change in Fair Value of Investments	144,118	58,256	13,482	20,829	(14,326)	(2,552)	(6,336)	507,089	(437,754)	21,396
Equity in Earnings (Loss) WRR	(1,046,350)	(124,039)	(123,714)	-	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 2,295,469	\$ 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
Income (Loss) Before Contributions	\$ 1,349,801	\$ 1,919,994	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)
Capital Contributions - Assets	1,239,606	897,985	2,325,199	650,236	266,362	1,327,057	2,871,442	518,250	134,412	592,390
Increase in Net Assets	\$ 2,589,407	\$ 2,817,979	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)	\$ 86,774
Total Net Position at Beginning 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
Prior Period Adjustment	-	-	-	-	(776,173)	-	73,694	-	-	-
Total Net Position at End of Year	\$ 87,880,791	\$ 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

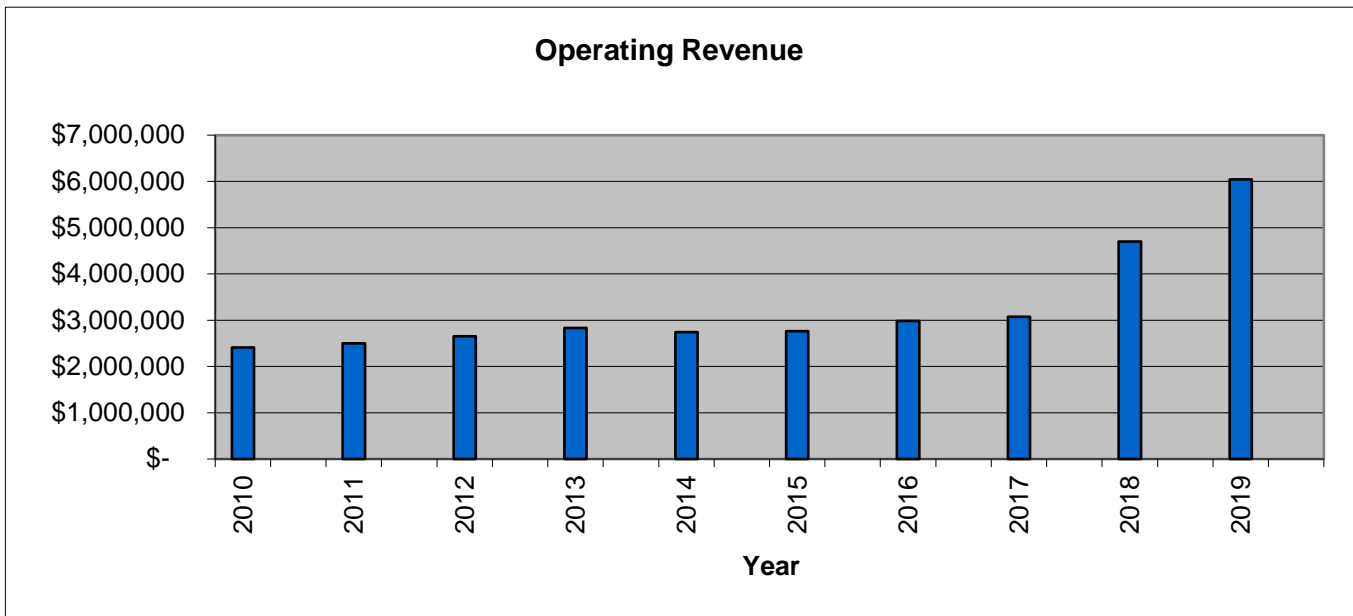
Source: District accounting and financial records

Notes: 2012 Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
2013 & 2015 Prior period adjustment resulted from a journal entry error.
2015 GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000
Issued 20-year taxable revenue bonds Series 2017 to finance construction of the WRR Project (21,195,000).
Issued 20-year taxable revenue bonds Series 2019 to finance construction of the ABNR Project & plant rehabilitation (12,179,000).

SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)
Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
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
2019	\$ 5,082,655	\$ 496,860	\$ 464,083	\$ 6,043,598



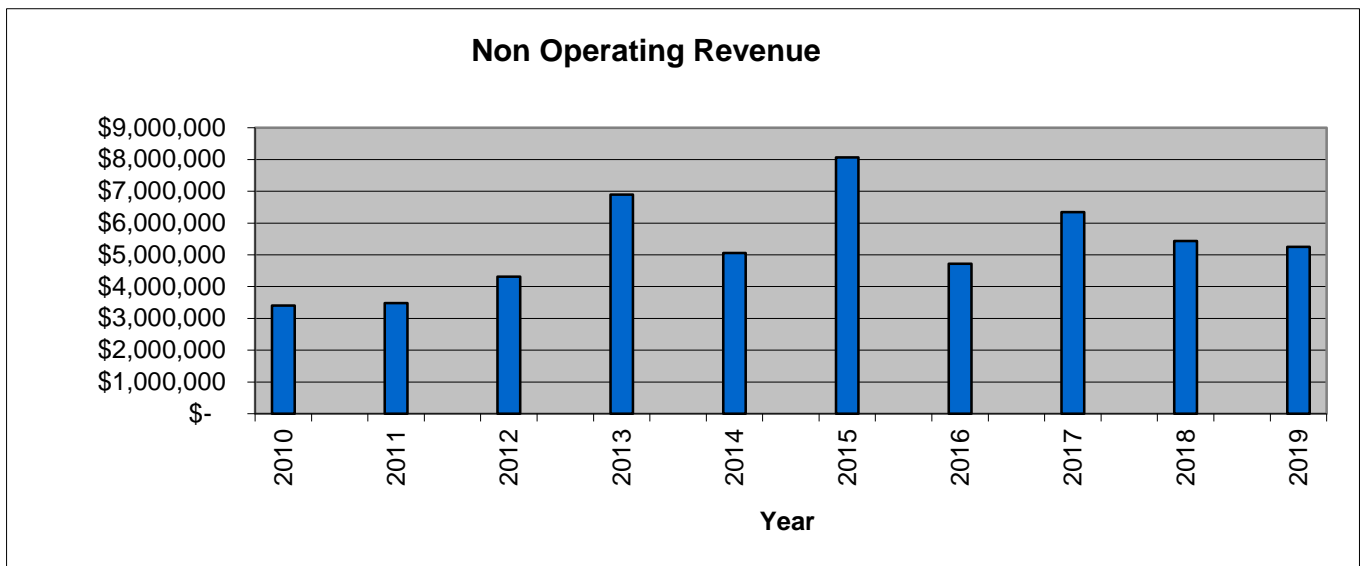
Source: District accounting records

Notes: Sewer Service rate increase \$5.00 per month to \$10.00 per month FY 2018

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
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
2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061
2017	\$ 2,102,078	\$ 2,325,199	\$ 589,843	\$ 302,862	\$ 99,746	\$ 924,746	\$ 6,344,474
2018	\$ 2,483,497	\$ 897,985	\$ 604,760	\$ 306,480	\$ 100,344	\$ 1,040,344	\$ 5,433,410
2019	\$ 2,272,062	\$ 1,239,606	\$ 624,221	\$ 184,810	\$ 117,585	\$ 815,700	\$ 5,253,984



Source: District financial and accounting records

Notes: Beginning 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.

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

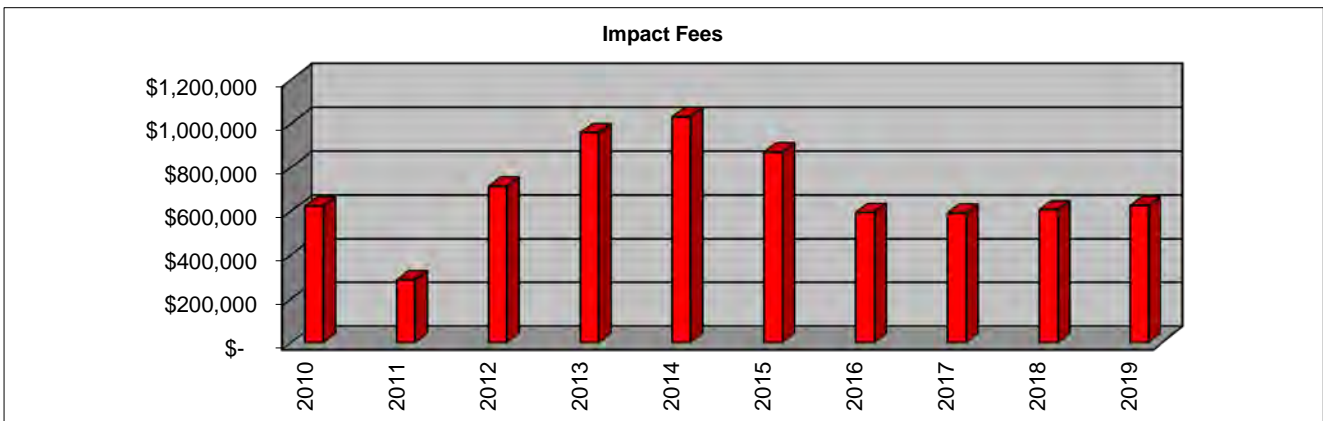
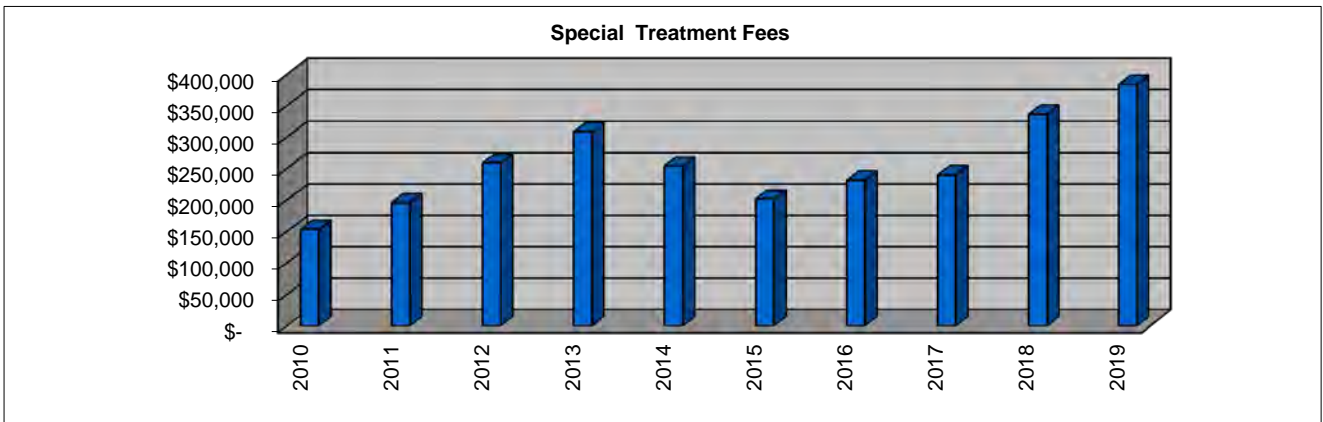
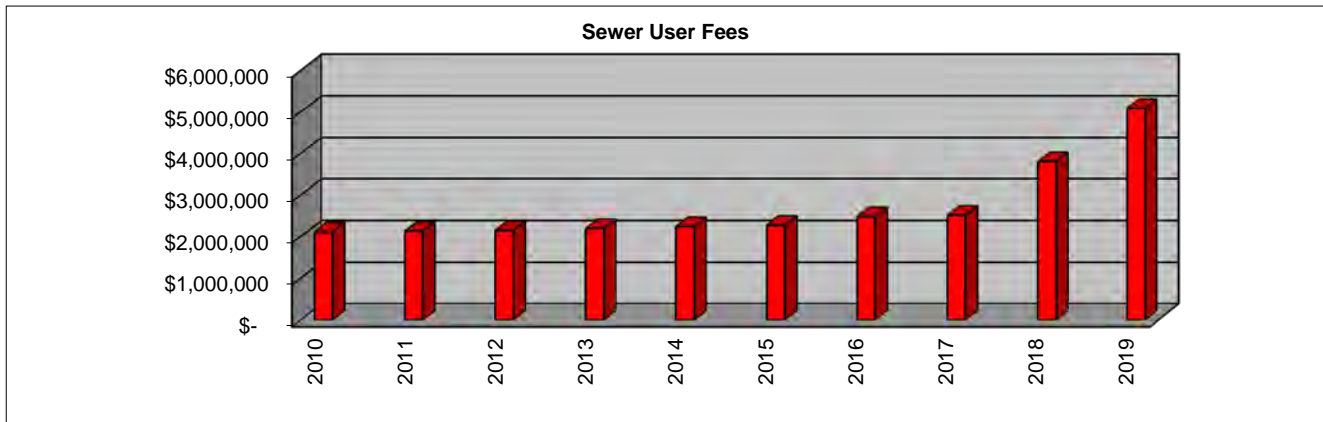
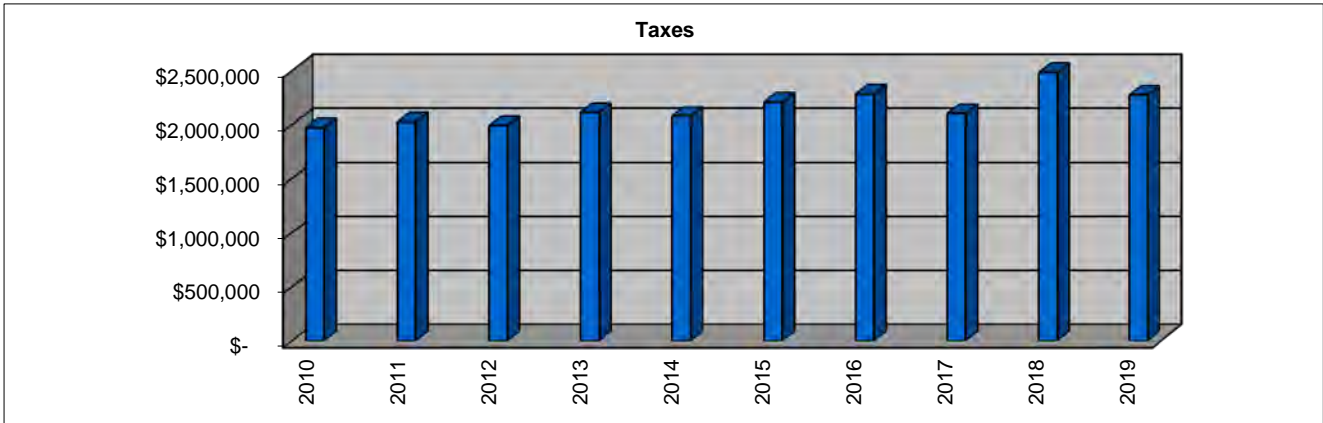
Received in 2015 impact fee from Holly Refinery expansion in the amount of \$3,702,000

Tax Increment from CDA is classified as Miscellaneous Income

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited)

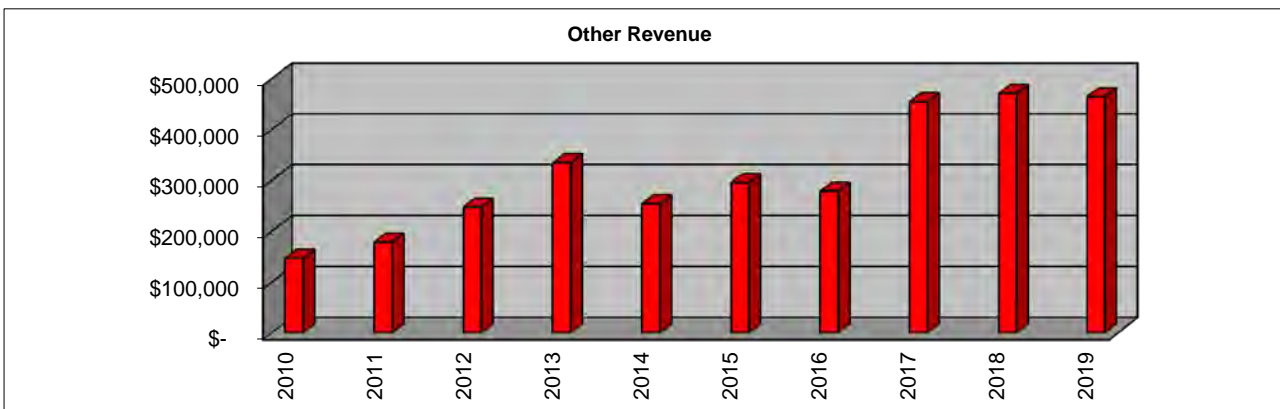
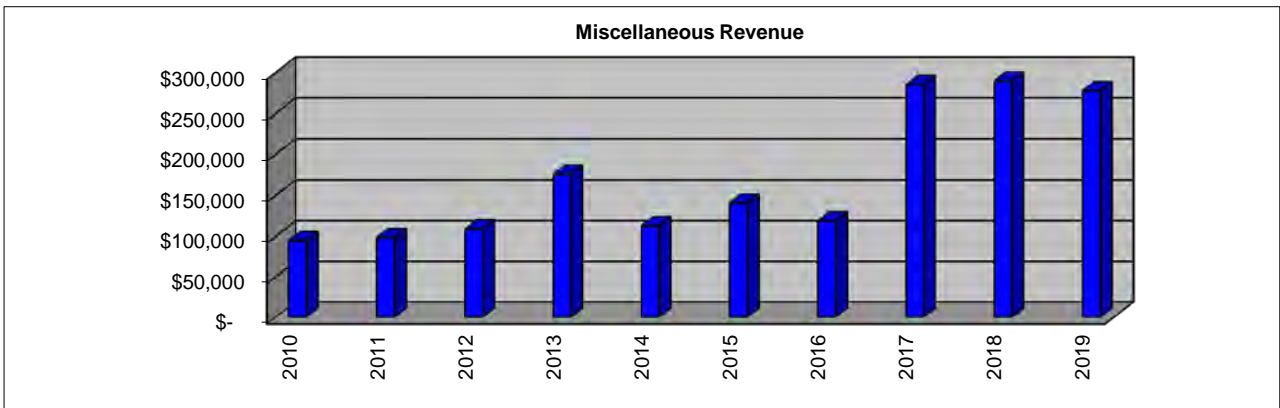
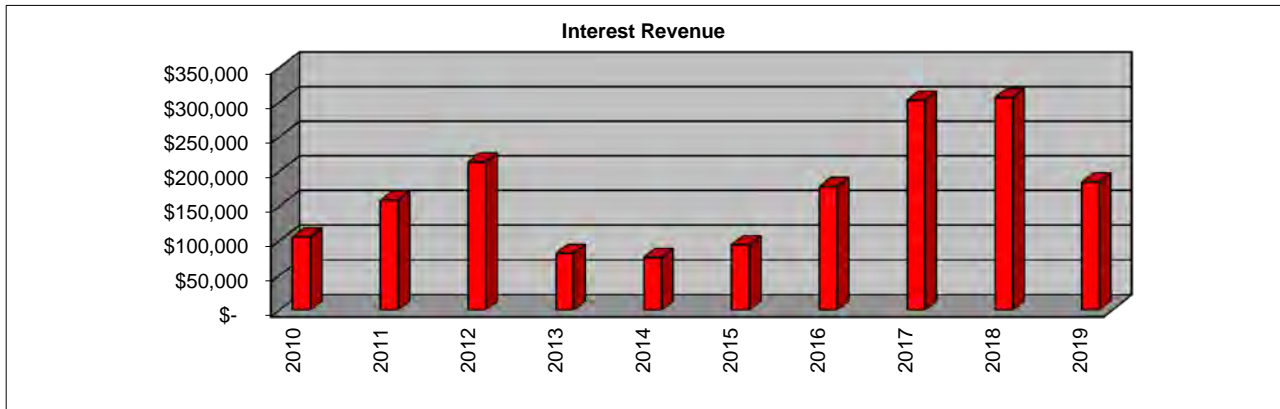
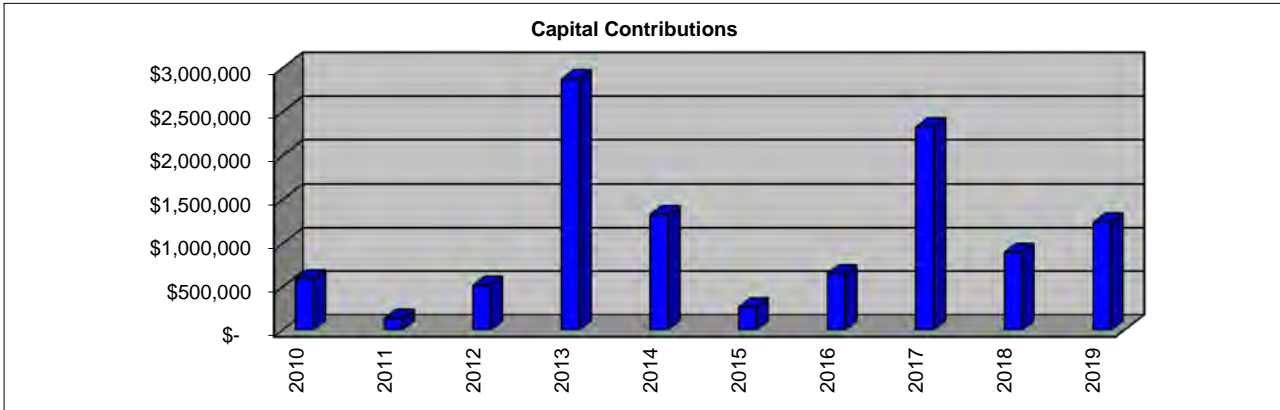
Last Ten Fiscal Years



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
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%
2019	2,313,762	2,272,062	98.2%	60,748	2,279,176	98.5%

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

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

Schedule 8

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
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
2019	\$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 (Unaudited)
For the Year Ending December 31, 2019

Schedule 9

	Business	Location	Discharged Annual (Gallons)
1	Holly Refinery*	West Bountiful	437,474,000
2	Big West Oil LLC*	North Salt Lake	204,482,000
3	Silver Eagle Refinery*	Woods Cross	65,830,000
4	Car Wash/Service Stations/Dealers	District	50,195,000
5	Restaurants	District	43,660,000
6	Medical Centers/Retirement Homes	District	39,846,000
7	Health Clubs/ Bountiful Rec. Center	District	30,661,000
8	IHC Laundry	Woods Cross	27,189,000
9	Schools	District	23,005,000
10	Hotels	District	20,861,000
11	Churches	District	20,847,000
12	Large Retail Stores	District	18,979,000
13	Air Products Manufacturing Corp	Bountiful	13,968,000
14	Lakeview Hospital	Bountiful	12,870,000
15	Pilot Travel	North Salt Lake	7,755,000
16	Zero Manufacturing Inc.*	North Salt Lake	6,272,000
17	Albertson's Distribution Center	North Salt Lake	5,845,000
18	Cowboy Oil	Woods Cross	5,673,000
19	Dry Cleaners/Laundry	District	5,523,000
20	Chevron Products	North Salt Lake	5,132,000
21	General Electric	North Salt Lake	4,695,000
22	Manuel's Fine Foods	Woods Cross	4,339,000
23	Advanced Drainage Systems	North Salt Lake	4,276,000
24	Pipe Fab	Woods Cross	3,315,000
25	South Davis Hospital	Bountiful	3,295,000
26	Windriver Petroleum	Centerville	3,043,000
27	Orbit Sprinklers	North Salt Lake	2,861,000
28	Stericycle Inc.	North Salt Lake	2,861,000
29	Legacy Megaplex Theater	Centerville	2,817,000
30	Benchmark Hospital	Woods Cross	2,462,000
31	Aero Tech*	North Salt Lake	1,792,000
32	Biotron Laboratories	Centerville	1,315,000
33	THB Inc	North Salt Lake	1,079,000
34	Dura-Line	North Salt Lake	953,000
35	Pioneer Pipe Line	North Salt Lake	888,000
36	Quality Plating*	Woods Cross	801,000

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

Schedule 10

Top Ten Non-Residential Customers (Unaudited)
 For the Current Year (2019) and Nine Years Prior

Account #	Rate Payer	Type of Service	<u>Annual User Fee Amount</u>	
			2019	2010
00200	Holly Refinery	Refinery	\$ 500,079	\$ 108,884
03792 & 11076	Big West Oil	Refinery	\$ 126,678	\$ 95,680
05020	Silver Eagle Oil	Refinery	\$ 48,554	\$ 5,007
07287	Intermountain Health Care	Health Care	\$ 24,827	\$ 8,902
03018	Chevron Products	Refinery	\$ 16,284	\$ 5,962
35963	South Davis Recreation Center	Recreation	\$ 16,002	\$ 6,425
30985	Lakeview Hospital	Health Care	\$ 12,952	\$ 7,809
08989	Air Products	Manufacturing	\$ 11,212	\$ 5,881
08644	Zero Mfg	Manufacturing	\$ 9,405	\$ 11,982
00262	Cowboy Asphalt Terminal	Industry	\$ 6,963	\$ 7,205
05746	Albertson Distribution	Warehouse	\$ 5,816	\$ 6,680
09336	Quality Plating	Manufacturing	\$ 4,457	\$ 3,985
08999	Stercyle	Industry	\$ 2,441	\$ 3,440
00345	Pioneer Pipeline	Manufacturing	\$ 1,704	\$ 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

	2019	2018	2017	2016	³ 2015	2014	2013	² 2012	2011	2010
Net Revenues										
Operating Revenues	\$ 6,043,598	\$ 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
Operating Expenses (excluding depreciation)	(6,863,930)	(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)
General Property Tax	2,272,062	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
Impact Fees	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462
Intergovernmental Contributions	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400	350,000
Project Grant Revenue	-	-	-	-	-	-	69,418	178,113		
Misc. Revenue	-	-	-	119,065	140,865	113,190	175,989	109,002	98,692	94,955
Interest Income	184,810	306,480	342,773	178,050	94,186	75,657	81,659	213,508	158,551	105,190
Total Net Revenues	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891	\$ (300,096)
Net Revenues Excluding Impact Fees										
Net Revenues	3,194,046	1,890,654	341,451	213,410	4,628,258	949,688	1,449,920	1,206,618	9,891	(300,096)
Impact Fees	(624,221)	(604,760)	(589,843)	(592,322)	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)
Net Revenues Excluding Impact Fees	\$ 2,569,825	\$ 1,285,894	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)	\$ (585,558)
Aggregate Debt Service*	\$ 1,637,763	\$ 837,244	\$ 451,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ratio of Net Revenues to Aggregate Debt Service	1.95	2.26	0.76	0	0	0	0	0	0	0
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	1.57	1.54	(0.55)	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: 2012 Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
 2015 GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000
 2017 Issued 20-yea series 2017 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 rate is 4.179%
 July 2018 sewer service rate increase from \$5.00 per month to \$10.00 per month

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.
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%
2019	\$ 31,327,437	99,283	\$ 316	n/a	n/a	\$ 8,685,244,151	0.361%

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

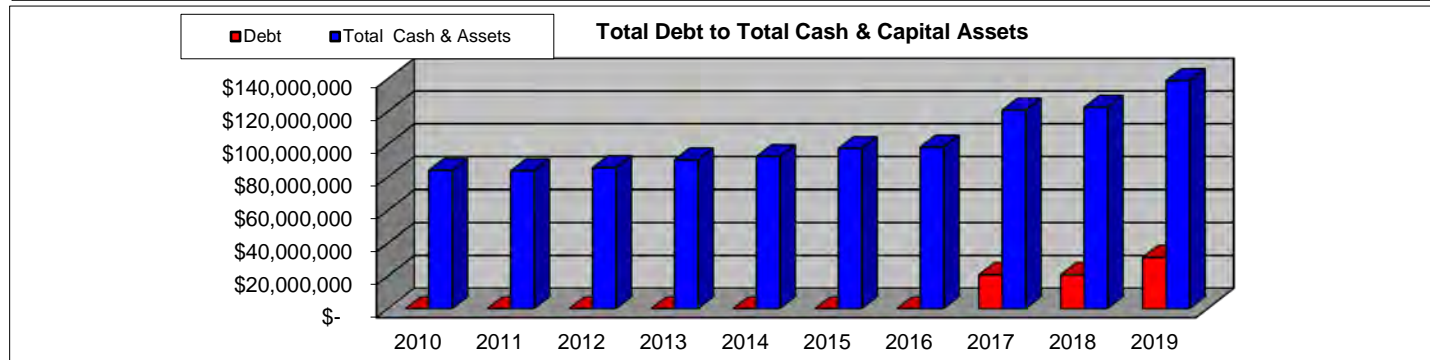
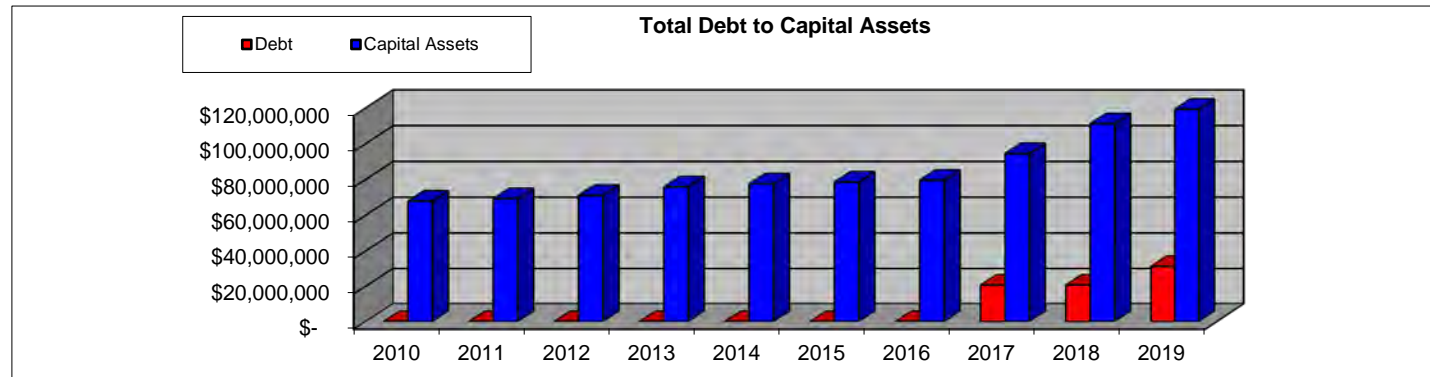
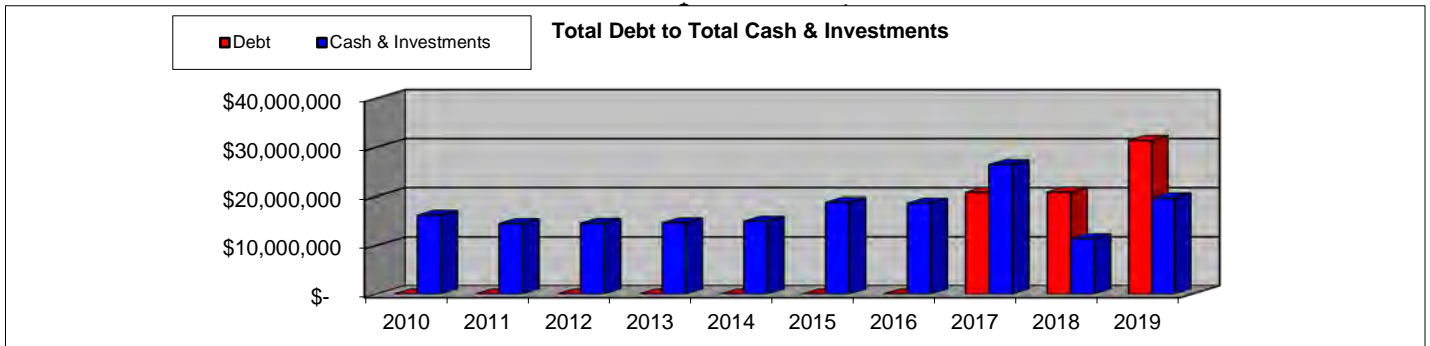
SOUTH DAVIS SEWER DISTRICT

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
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%
2019	\$ 31,327,437	\$ 19,629,236	159.60%	\$ 119,271,184	26.27%	\$ 138,900,420	22.55%



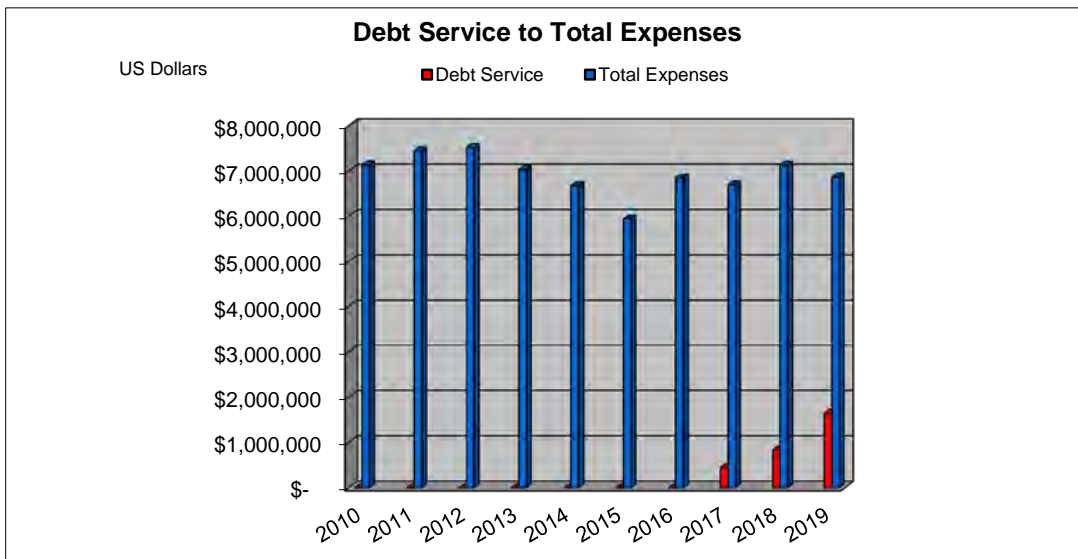
Source: District accounting records.

Note: Issued 20-year series 2017 taxable revenue bonds (\$21,195,000) for construction of the WRR project.
 Issued 20-year series 2019 revenue bonds (\$12,179,000) for ABNR project and plant rehabilitation
 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

<u>Year</u>	<u>Debt Service</u>	<u>Total Expenses</u>	<u>% of Debt Service to Expenses</u>
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%
2019	\$ 1,637,763	\$ 6,863,930	23.86%



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

Notes: Issued 20-year series 2017 taxable revenue bonds (\$21,195,000) for construction of the WRR project.
 Issued 20-year series 2019 revenue bonds (\$12,179,000) for ABNR project and plant rehabilitation
 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
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	\$ -	\$ 837,763	\$ 837,763	99,283	\$ 8.44
2019	\$ 800,000	\$ 837,763	\$ 1,637,763	101,858	\$ 16.08

Source: District financial and accounting records, Zions Bank Trust Department, and Stifel Financial
Notes: Issued Revenue Bonds May 17, 2017 for \$21,195,000 to finance renewable energy project
Issued Revenue Bonds December 3, 2019 for \$12,179,000 to finance plant rehabilitation
Bond payments are semi-annual and due every December 1st and June 1st

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>
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	\$43,432	\$16,279,387,915	2.90%	72,264
2019	355,481	5,075	1,840	n/a	n/a	2.40%	72,897

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)
 2019 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 (2019) and Nine Years Ago

Schedule 17

<u>Employer</u>	<u>2019</u>			<u>2010</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%	7000-9999	2	5.1%
ATK Space Systems	2000-2999	3	1.23%	500-999	8	1.5%
Kroger Group Cooperative	2000-2999	4	1.23%	1000-1999	3	0.7%
Lifetime Products	1000-1999	5	1.23%	1000-1999	6	1.5%
Walmart	1000-1999	6	1.23%	1000-1999	4	1.5%
Ralcorp Frozen Bakery Products	1000-1999	7	1.23%	n/a	n/a	0.0%
Lagoon Inc.	1000-1999	8	1.23%	1000-1999	3	1.5%
Utility Trailer Manufacturing	1000-1999	9	1.23%	n/a	n/a	0.0%
Davis Hospital & Medical Center	500-999	10	0.61%	500-699	9	0.5%
Davis County	n/a	n/a	0.00%	1000-1999	7	0.5%
State of Utah (In Davis County)	n/a	n/a	0.00%	500-999	10	0.5%
Totals	<u>20,600-42,984</u>		<u>24.61%</u>	<u>24,590-34,784</u>		<u>24.2%</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.

Smith's Food and Drug distribution center change to Kroger Group Cooperative

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
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.

SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2019

Schedule 19

1	Davis County Jail Bond	0.000075
2	Bountiful Irrigation District	0.000089
3	Davis County Mosquito Abatement	0.000112
4	Weber Basin Water	0.000153
5	Central Davis Sewer District	0.000167
6	Davis County Assess & Collect	0.000182
7	South Davis Water District	0.000189
8	South Davis Sewer District	0.000234
9	South Davis Recreation Center	0.000242
10	Central Weber Sewer District	0.000242
11	Hooper Water Improvement	0.000294
12	Benchland Water District	0.000322
13	Davis County Library	0.000329
14	North Davis Sewer District	0.000800
15	Bountiful City	0.000814
16	Woods Cross City	0.000891
17	West Point City	0.000917
18	North Davis Fire District	0.001108
19	Davis County	0.001143
20	Centerville City	0.001192
21	North Salt Lake City	0.001264
22	West Bountiful City	0.001315
23	Clearfield City	0.001437
24	Syracuse City	0.001512
25	Kaysville City	0.001589
26	Farmington City	0.001640
27	Clinton City	0.001660
28	Utah Statewide School Rate	0.001661
29	Layton City	0.001666
30	Sunset City	0.001766
31	Fruit Heights City	0.001887
32	Davis County School District	0.006060

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

SOUTH DAVIS SEWER DISTRICT
 Principle Tax Payers (Unaudited)
 For the Current Year 2019 and Nine Years Prior

Schedule 20

		Assessed Taxable Value				
Tax Payer	City	2019 Personal Property	2019 Real Property	2019 Total	2010 Total	
1	Holly Refinery	\$ 518,780,708	\$ 29,383,556	\$ 548,164,264	\$ 598,168,708	
2	Chevron USA Inc.	\$ 435,373,378	\$ 57,630,706	\$ 493,004,084	\$ 366,190,066	
3	Big West Oil	\$ 130,903,440	\$ 17,735,033	\$ 148,638,473	\$ 151,102,285	
4	Pacificorp		\$ 70,915,655	\$ 70,915,655	\$ 69,507,376	
5	WBC Partners/West		\$ 53,787,442	\$ 53,787,442	\$ 50,161,351	
6	IGI RE Holdings WX LLC	\$ 36,267,209	\$ 6,649,184	\$ 42,916,393	\$ 43,859,229	
7	FedEx Ground Package Sys	\$ 30,724,301	\$ 10,124,708	\$ 40,849,009	\$ 37,437,568	
8	Hospital Corporation of Utah	\$ 15,769,490	\$ 27,171,482	\$ 42,940,972	\$ 37,437,568	
9	Questar Gas		\$ 70,915,655	\$ 70,915,655	\$ 43,759,823	
10	ABS UT- (Albertsons)	\$ 7,582,320	\$ 26,897,211	\$ 34,479,531	\$ 33,319,952	
11	Eaglewood Loft LLC		\$ 36,898,074	\$ 36,898,074	\$ 49,981,249	
12	J & S Purpura Ventures	\$ 1,929,805	\$ 25,462,073	\$ 27,391,878	\$ 24,058,660	
13	Village Glen Main LLC		\$ 21,520,031	\$ 21,520,031	\$ 19,795,955	
14	Bountiful Corner LLC		\$ 18,985,200	\$ 18,985,200	n/a	
15	Legacy Crossing LLC	\$ 1,957,297	\$ 28,614,444	\$ 30,571,741	\$ 29,978,148	
		\$ 1,179,287,948	\$ 502,690,454	\$ 1,681,978,402	\$ 1,554,757,938	

Source: Davis County Clerk/Auditor's Office, Utah State Tax Commission

Notes: 2019 Certified Tax Rate = 0.000226. Year end property values for the District were:

Real property \$8,071,769,463, Personal property, \$1,497,948,933, & Centrally assessed \$247,738,516

Total adjusted 2020 property values were \$9,817,456,912.

SOUTH DAVIS SEWER DISTRICT
 Operator Certification Program (Unaudited)
 For the Year Ending December 31, 2019

Schedule 21

<u>Employee</u>	<u>Collection Level</u>	<u>Treatment Level</u>	<u>Maintenance Level</u>	<u>Biosolids Level</u>
1 Bohman, Curtis D.	Grade IV			
2 Bradshaw, Mike C.	Grade IV	Grade I		
3 Dlugas, Jason D.	Grade IV	Grade I		
4 Fleming, Shane E.	Grade IV			
5 Galli, Skyjay T.	Grade I			
6 Katter, Brandon M.		Grade I	Grade III	
7 King, Corry J.		Grade IV		
8 Larsen, Nathan L		Grade I		
9 Marsing, Marty G.	Grade IV			
10 Marsing, Mason D.		Grade I		
11 Maxwell, Brent M.	Grade I	Grade IV		
12 Munden, Timothy E.		Grade IV		
13 Myers, Matthew J.	Grade IV	Grade IV		Grade III
14 Nemcek, Eric S.		Grade IV		
15 Nemcek, Tyler P.	Grade I			
16 Perkins, Jeffrey K		Grade IV		
17 Powell, Jedd C.		Grade IV		Grade I
18 Rice, Brandon S.	Grade IV			
19 Robinson, Norman S.		Grade III		
20 Scott, Jacob U.	Grade IV	Grade IV		
21 Trimming, Carl E.	Grade IV			
22 Wayment, Dal D.	Grade IV	Grade IV		
23 Weimer, Jonathan D.		Grade I		

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

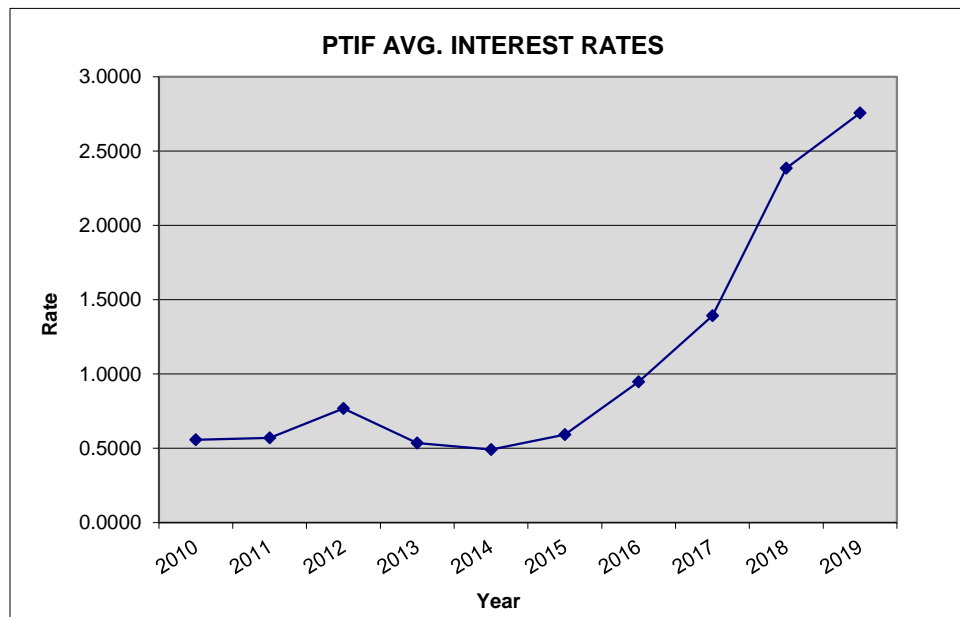
Notes: In accordance with Section 19-5-104 of the Utah Code, wastewater operators, both in collection and treatment systems are to be certified. This certification is regulated by the Division of Water Quality, State of Utah.

SOUTH DAVIS SEWER DISTRICT

Schedule 22

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jan	0.5955	0.4812	0.7496	0.6499	0.5074	0.5073	0.7460	1.1806	1.7291	2.9109
Feb	0.5518	0.4900	0.7949	0.6120	0.5070	0.5184	0.7796	1.2007	1.8649	2.9778
Mar	0.5605	0.5102	0.7937	0.5739	0.5023	0.5294	0.8224	1.2217	2.0302	2.9971
Apr	0.5649	0.5362	0.7941	0.5295	0.4992	0.5475	0.8517	1.2651	2.2008	2.9759
May	0.5833	0.5374	0.7917	0.4902	0.4879	0.5559	0.8997	1.2858	2.3517	2.8984
Jun	0.5965	0.5463	0.7894	0.5046	0.4799	0.5610	0.9093	1.3431	2.5007	2.8983
Jul	0.5959	0.5455	0.7877	0.5115	0.4693	0.5791	0.9429	1.4084	2.5801	2.8663
Aug	0.5851	0.5577	0.7791	0.4962	0.4699	0.6098	0.9968	1.4782	2.5836	2.7262
Sep	0.5622	0.5961	0.7784	0.5126	0.4767	0.6368	1.0597	1.5280	2.5979	2.6014
Oct	0.5167	0.6336	0.7484	0.5143	0.4850	0.6593	1.0982	1.5621	2.6486	2.5360
Nov	0.4878	0.6790	0.7235	0.5150	0.5071	0.6824	1.1231	1.6053	2.7387	2.3976
Dec	0.4813	0.7190	0.6908	0.5103	0.5077	0.7244	1.1457	1.6340	2.8036	2.2849
Avg	0.5568	0.5694	0.7684	0.5350	0.4916	0.5926	0.9479	1.3928	2.3858	2.7559



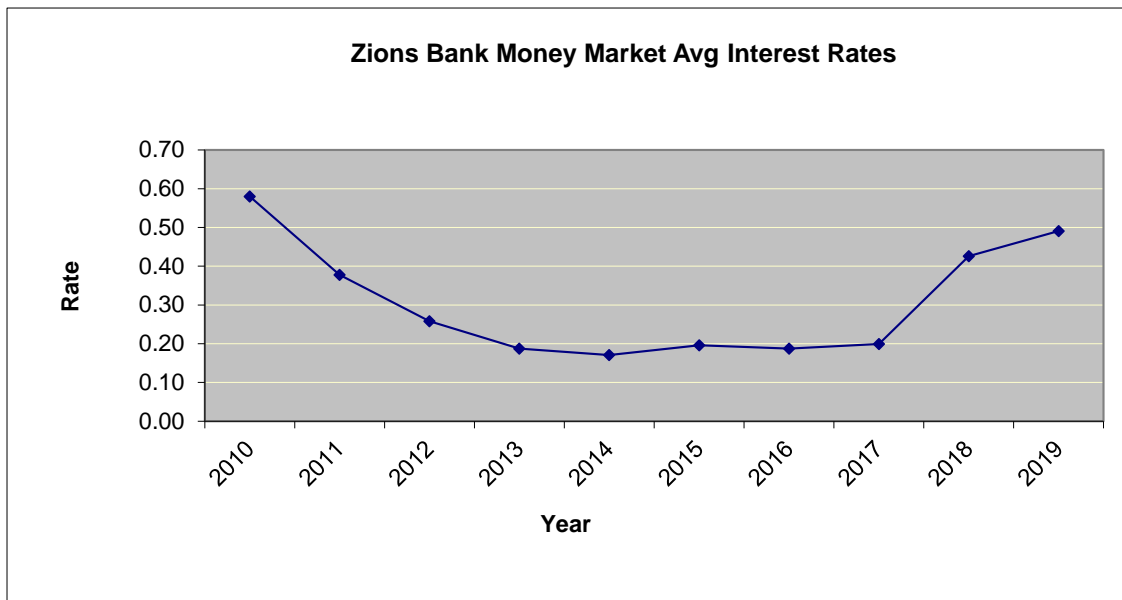
Source: Utah State Treasurer's Office

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jan	0.90	0.60	0.30	0.20	0.20	0.20	0.20	0.20	0.53	0.53
Feb	0.70	0.40	0.30	0.20	0.20	0.20	0.40	0.20	0.58	0.59
Mar	0.50	0.47	0.25	0.20	0.15	0.20	0.15	0.20	0.64	0.64
Apr	0.50	0.38	0.20	0.20	0.20	0.19	0.15	0.19	0.25	0.70
May	0.65	0.37	0.20	0.15	0.20	0.19	0.15	0.20	0.28	0.50
Jun	0.50	0.36	0.20	0.20	0.15	0.19	0.15	0.20	0.29	0.50
Jul	0.65	0.50	0.30	0.20	0.15	0.19	0.20	0.20	0.40	0.50
Aug	0.65	0.35	0.25	0.20	0.15	0.20	0.20	0.20	0.39	0.50
Sep	0.57	0.30	0.50	0.15	0.20	0.20	0.15	0.20	0.41	0.50
Oct	0.50	0.30	0.20	0.15	0.15	0.19	0.15	0.20	0.47	0.44
Nov	0.44	0.25	0.20	0.20	0.15	0.20	0.20	0.20	0.50	0.26
Dec	0.40	0.25	0.20	0.20	0.15	0.20	0.15	0.20	0.37	0.23
Avg	0.58	0.38	0.26	0.19	0.17	0.20	0.19	0.20	0.43	0.49



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)	
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
2019	1,689	412,402	111,759	33,180	64,186	635,920
2019	1,689	412,402	111,759	33,180	64,186	635,920
10-year Avg.	\$ 1,663.00	\$330,454.48	\$ 127,591.51	\$ 25,189.98	\$ 45,411.89	\$ 504,246.71

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	Resource Recovery	
2010	7	6	2	7	1	1		24
2011	7	7	2	7	1	1		25
2012	7	8	2	6	1	1		25
2013	7	8	2	6	1	1		25
2014	7	8	2	6	1	1		25
2015	7	8	2	6	1	1		25
2016	7	8	2	6	1	1		25
2017	9	8	2	6	1	1		27
2018	7	7	2	7	1	1		25
2019	8	7	4	6	1	1	8	35
Average	6.5	6.8	1.8	5.7	0.9	0.9	8	26.1

Source: District employment records

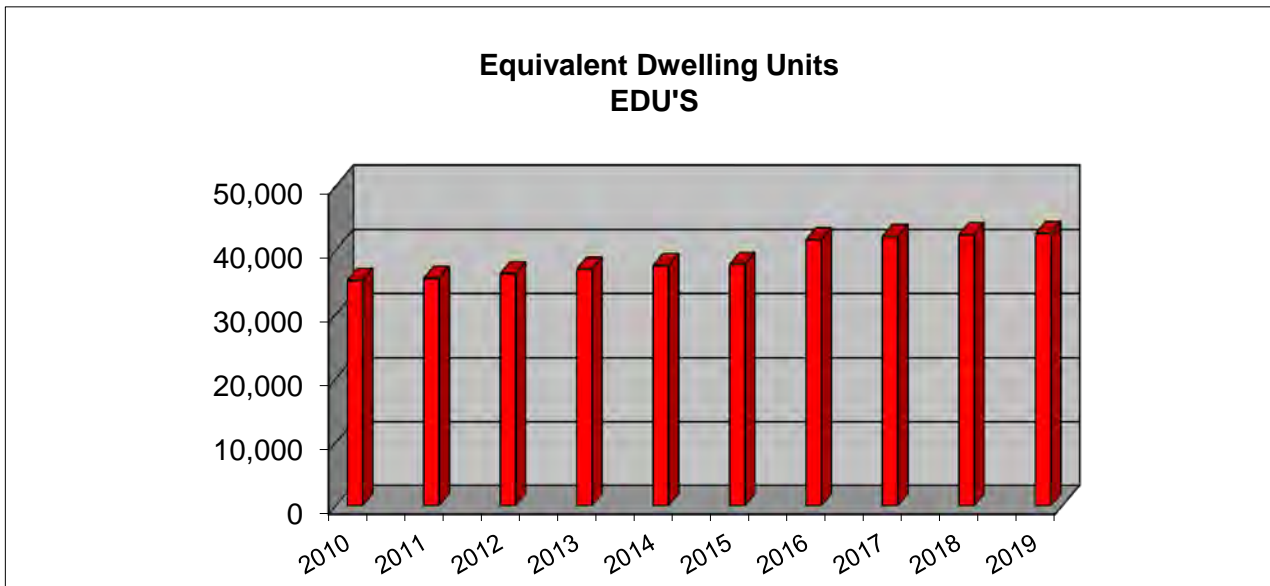
Notes: Full time employees are scheduled to work 2,080 hours per year (Including vacation, and sick leave).

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

2018 one employee was transferred from Collection System to Engineering (EIT)

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

<u>YEAR</u>	<u>EDU'S</u>
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
2019	42,588



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 102,200 gallons of water allowed annually.
 The District has approximately 27,700 customer accounts as of 12/31/19

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Assets **Summary** (Unaudited)
 For the Year Ended December 31, 2019

Schedule 27

HISTORICAL COST

ACCUMULATED DEPRECIATION

Acct #	Description	Balances					Balances	Acct #	Balances				Balances	
		12/31/18	Additions	Disposals	Transfers	Adjust			12/31/18	Depreciation Expense	Asset Deposal	Transfers		12/31/19
182000	0.01 Building & Facilities	\$ 2,710,249.55					\$ 2,710,249.55	182100	0.01	\$ (104,813.66)			\$ (104,813.66)	
182000	0.02 Building & Facilities	21,597,043.90				21,597,043.90	182100	0.02	(8,611,802.97)			(8,611,802.97)		
182000	0.11 Building & Facilities	-	8,590,405.30			8,590,405.30	182100	0.11						
184000	0.02 Improvements Other Than Bldgs	28,892.78				28,892.78	184000	0.02				-0-		
184000	0.11 Improvements Other Than Bldgs	-	6,537,517.00			6,537,517.00	184000	0.11						
188000	0.04 Construction in Progress	29,951,777.35	4,662,003.36		(21,248,748.42)	13,365,032.29	188000	0.04				-0-		
189000	0.01 Outfall/Sewer Lines	43,530,528.36	1,136,460.00			44,666,988.36	189110	0.01	(3,666,414.62)			(3,666,414.62)		
189000	0.02 Outfall/Sewer Lines	5,748,121.05				5,748,121.05	189110	0.02	(1,290,559.59)			(1,290,559.59)		
189000	0.04 Outfall/Sewer Lines	-				-0-	189110	0.04						
189200	0.01 Operation & Sup Equip.	496,376.76	27,469.28			523,846.04	189210	0.01	(309,283.07)	(23,647.15)		(332,930.22)		
189200	0.02 Operation & Sup Equip.	710,445.74				710,445.74	189210	0.02	(190,566.98)	(32,985.18)		(223,552.16)		
189200	0.11 Operation & Sup Equip.	-	6,985,855.00			6,985,855.00	189210	0.11						
189300	0.01 Tools & Test Equip.	237,773.88				237,773.88	189310	0.01	(408,533.84)	(4,176.47)		(412,710.31)		
189300	0.02 Tools & Test Equip.	182,735.25				182,735.25	189310	0.02	(243,681.64)	(1,569.94)		(245,251.58)		
189300	0.03 Tools & Test Equip.	108,736.04				108,736.04	189310	0.03	(110,637.62)		1,901.58	(108,736.04)		
189300	0.05 Tools & Test Equip.	247,530.85				247,530.85	189310	0.05	(201,447.28)		(1,901.58)	(203,348.86)		
189400	0.01 Mobile Equipment	2,226,143.23	117,693.47	(131,271.12)		2,212,565.58	189410	0.01	(1,017,157.35)	(151,138.35)	14,310.49	(1,153,985.21)		
189400	0.02 Mobile Equipment	1,260,149.57	169,963.82	(216,310.86)		1,213,802.53	189410	0.02	(658,139.64)	(29,588.20)	32,370.58	(655,357.26)		
189400	0.03 Mobile Equipment	22,437.03				22,437.03	189410	0.03	(17,949.64)	(4,487.39)		(22,437.03)		
189500	0.01 Office Furn. & Equip.	232,111.56	25,546.50			257,658.06	189510	0.01	(234,410.85)	(21,206.59)		(255,617.44)		
189500	0.02 Office Furn. & Equip.	248,129.91				248,129.91	189510	0.02	(291,043.97)	(10,779.62)		(301,823.59)		
189500	0.03 Office Furn. & Equip.	4,849.56				4,849.56	189510	0.03	(4,702.60)	(146.96)		(4,849.56)		
189600	0.01 Land & Right-Of-Ways	421,632.89				421,632.89								
189600	0.02 Land & Right-Of-Ways	2,648,934.91				2,648,934.91								
		\$ 112,614,600.17	\$ 28,252,913.73	\$ (347,581.98)	\$ (21,248,748.42)	\$ -	\$ 119,271,183.50			\$ (17,361,145.32)	(279,725.85)	46,681.07	-0-	\$ (17,594,190.10)

114

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, 2019

Schedule 28

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WRR (11)	Total
BUILDINGS AND FACILITIES (182000)							
WRR Receiving Building	7000		\$ 1,764,350.00				\$ 1,764,350.00
WRR Digester #1	7001		1,176,750.00				1,176,750.00
WRR Digester #2	7002		1,176,750.00				1,176,750.00
WRR Hydrolysis Tank	7003		852,500.00				852,500.00
WRR Digester Building	7004		1,045,050.00				1,045,050.00
WRR Liquid Receiving Building	7005		56,850.00				56,850.00
WRR Electrical Lighting	7006		30,955.00				30,955.00
WRR Electrical Gear	7007		697,182.00				697,182.00
WRR Electrical Instruments	7008		133,888.00				133,888.00
WRR Engineering (Aqua)	7009		791,101.42				791,101.42
WRR Construction (Draws 30 & 31)	7037		865,028.88				865,028.88
SUBTOTAL		\$ -	\$ 8,590,405.30	\$ -	\$ -	\$ -	\$ 8,590,405.30
IMPROVEMENTS OTHER THAN BUILDINGS (184000)							
WRR Site & Yard	7010		\$ 3,798,500.00				\$ 3,798,500.00
WRR Site & Yard G&A	7011		2,739,017.00				2,739,017.00
		\$ -	\$ 6,537,517.00	\$ -	\$ -	\$ -	\$ 6,537,517.00
CONSTRUCTION WORK IN PROGRESS (188000)							
ABNR Facility Construction (Clearas)	6521				\$ 2,085,346.00		\$ 2,085,346.00
ABNR Facility Aqua Engineering	6522				143,949.54		143,949.54
WRR Facility Construction (Alder Construction Draws 21-29)	6523				2,365,153.41		2,365,153.41
ABNR Facility Construction (SDSD)	6524				67,554.41		67,554.41
SUBTOTAL		\$ -	\$ -	\$ -	\$ 4,662,003.36	\$ -	\$ 4,662,003.36
OUTFALL/SEWER LINES (189000)							
Deeded Subvisions	6079	\$ 1,136,460.00					\$ 1,136,460.00
SUBTOTAL		\$ 1,136,460.00	\$ -	\$ -	\$ -	\$ -	\$ 1,136,460.00
OPERATION & SUPPORT EQUIPMENT (189200)							
Push Camera System (CS)	4176	\$ 10,603.00					\$ 10,603.00
Pecote Milling Machine (CS)	4177	16,866.28					16,866.28
WRR Pressate Tank #1	7012		186,750.00				186,750.00
WRR Pressate Tank #2	7013		186,750.00				186,750.00
WRR FOG Tank	7014		212,764.00				212,764.00
WRR Gas Conditioning System	7015		296,750.00				296,750.00
WRR Pumps Boiler Building	7016		352,027.00				352,027.00
WRR Truck Scales	7017		80,483.00				80,483.00
WRR Bottle/Can Conveyor	7018		10,000.00				10,000.00
WRR Bottle/Can Crusher	7019		59,018.00				59,018.00
WRR Glass Bottle Crusher	7020		11,274.50				11,274.50
WRR Grinder	7021		23,402.00				23,402.00
WRR Hydrocyclone	7022		2,990.00				2,990.00
WRR Grit Classifier	7023		50,000.00				50,000.00
WRR FOG Waste	7024		44,450.00				44,450.00
WRR XERXES Tank	7025		47,702.00				47,702.00
WRR Ammonia Stripping	7026		326,716.50				326,716.50
WRR Boilers	7027		348,692.00				348,692.00
WRR Gas Safety Equipment	7028		291,500.00				291,500.00
WRR Dewatering Press	7029		268,687.50				268,687.50
WRR Gas Conditioning System	7030		2,492,942.50				2,492,942.50
WRR GE Package	7031		1,301,000.00				1,301,000.00
WRR Conveyers	7032		102,093.00				102,093.00
WRR Poly Tanks	7033		162,462.00				162,462.00
WRR Heat Exchangers	7034		61,613.50				61,613.50
WRR Polymer Dosing System	7035		40,787.50				40,787.50
WRR Air Compressors	7036		25,000.00				25,000.00
SUBTOTAL		\$ 27,469.28	\$ 6,985,855.00	\$ -	\$ -	\$ -	\$ 7,013,324.28

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Asset **Additions** (Unaudited)
 For the Year Ended December 31, 2019

Schedule 28

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WRR (11)	Total
TOOLS AND TEST EQUIPMENT (189300)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
MOBILE EQUIPMENT (189400)							
2019 Ford F350 Truck (CS) Inspector	3563	\$ 61,964.51					\$ 61,964.51
2019 Ford F350 Truck (CS) Superintendent	3564	55,728.96					55,728.96
2019 Ford Expedition (TP) GM	3560		\$ 57,468.30				57,468.30
2019 Ford F350 Truck (SP)	3561		55,919.44				55,919.44
2019 Ford F350 Truck (TP) Superintendent	3562		56,576.08				56,576.08
SUBTOTAL		\$ 117,693.47	\$ 169,963.82	\$ -	\$ -	\$ -	\$ 287,657.29
OFFICE FURNITURE & EQUIPMENT (189500)							
GIS Development Engineering Azteca/Hendrickson	4199	\$ 25,546.50					\$ 25,546.50
SUBTOTAL		\$ 25,546.50	\$ -	\$ -	\$ -	\$ -	\$ 25,546.50
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
GRAND TOTAL		\$ 1,307,169.25	\$ 22,283,741.12	\$ -	\$ 4,662,003.36	\$ -	\$ 28,252,913.73

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, 2019

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)						
2018 Ford F350 Truck (CS) Superintendent	2998	\$ 65,611.11				\$ 65,611.11
2018 Ford F350 Truck (CS) Inspector	2999	65,660.01				65,660.01
2018 Ford F150 Truck (TP) Superintendent	2996		56,617.43			56,617.43
2018 Ford F350 Truck (TP)	2997		57,617.43			57,617.43
2018 Ford F350 Truck (TP)	3562		56,076.00			56,076.00
2018 Ford F150 Truck (TP)	3406		46,000.00			46,000.00
SUBTOTAL		\$ 131,271.12	\$ 216,310.86	\$ -	\$ -	\$ 347,581.98
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188600)						
SUBTOTAL		-0-	\$ -	-0-	-0-	\$ -
GRAND TOTAL		\$ 131,271.12	\$ 216,310.86	\$ -	\$ -	\$ 347,581.98

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-
WRR FACILITY CONSTRUCTION			\$ 21,248,748.42			\$ 21,248,748.42
SUBTOTAL		-0-	\$ 21,248,748.42	-0-	-0-	\$ 21,248,748.42
CONSTRUCTION WORK IN PROGRESS (188000)						
WRR FACILITY CONSTRUCTION			\$ -		21,248,748.42	\$ 21,248,748.42
SUBTOTAL		-0-	\$ -	-0-	21,248,748.42	\$ 21,248,748.42
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			\$ 21,248,748.42	\$ -	\$ 21,248,748.42	\$ 42,497,496.84

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, 2019

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)						
ABNR Facility Construction (Clearas)	6521				\$ 2,085,346.00	\$ 2,085,346.00
ABNR Facility Aqua Engineering	6522				143,949.54	143,949.54
WRR Facility Construction (Alder Construction Draws 21-29)	6523				2,365,153.41	2,365,153.41
ABNR Facility Construction (SDSD)	6524				67,554.41	67,554.41
SUBTOTAL		\$ -	\$ -	\$ -	\$ 4,662,003.36	\$ 4,662,003.36
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		\$ -	\$ -	\$ -	\$ 4,662,003.36	\$ 4,662,003.36

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

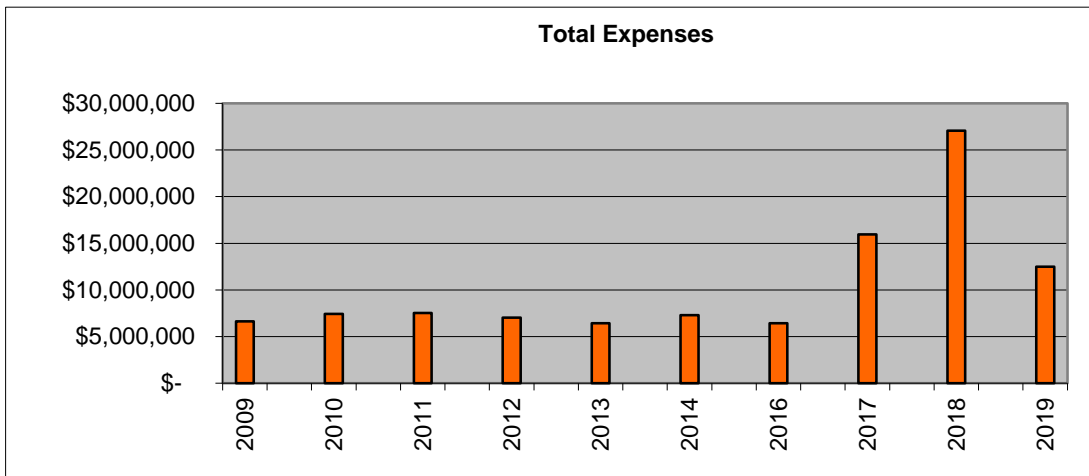
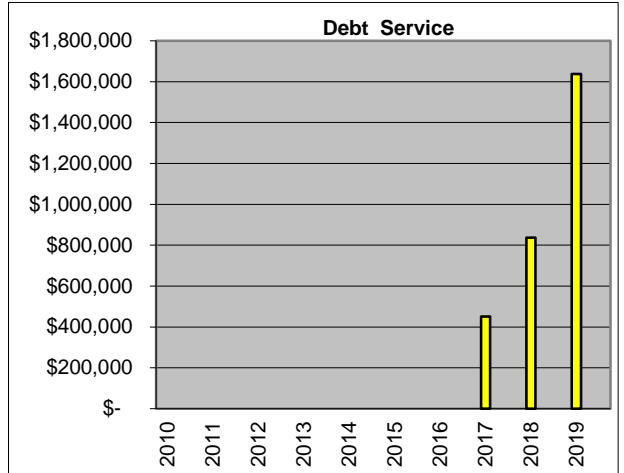
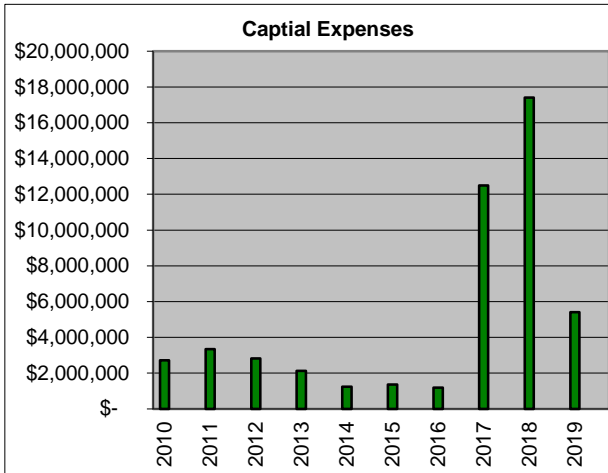
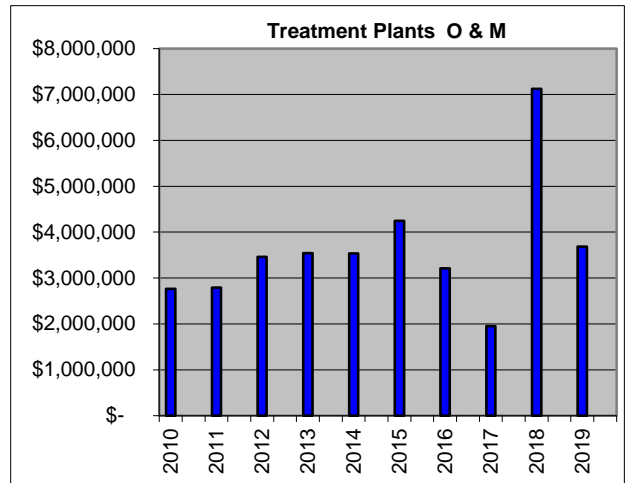
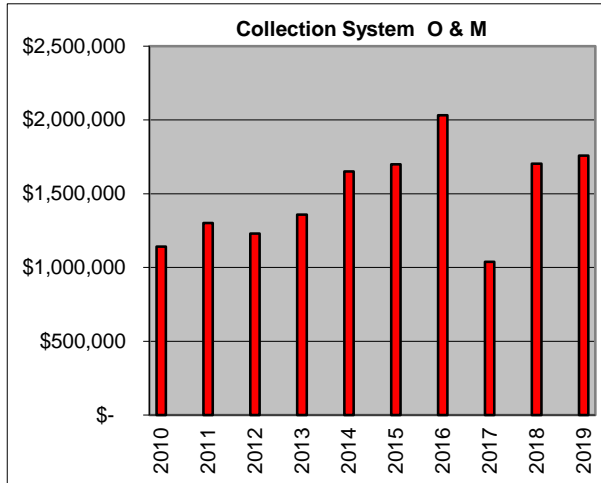
Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
2010	\$ 1,141,213	\$ 2,766,897	\$ 3,217,837	\$ -	\$ 7,125,947
2011	\$ 1,301,539	\$ 2,791,597	\$ 3,350,410	\$ -	\$ 7,443,546
2012	\$ 1,230,974	\$ 3,459,306	\$ 2,822,042	\$ -	\$ 7,512,322
2013	\$ 1,358,286	\$ 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
2019	\$ 1,758,181	\$ 3,687,189	\$ 5,405,460	\$ 1,637,763	\$ 12,488,593

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

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

SOUTH DAVIS SEWER DISTRICT

Expenses by Function (Unaudited)
Last Ten Fiscal Years



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

SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage (Unaudited)
For the Year Ended December 31, 2019

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	1/1/19 to 1/1/20
Philadelphia Olympus Insurance Agency	PHUB8612738	Excess Liability (\$10,000,000)	1/1/19 to 1/1/20
Philadelphia Olympus Insurance Agency	PHPK1754717	Property (\$52,030,580)	1/1/19 to 1/1/20
Philadelphia Olympus Insurance Agency	PHPK1754717	*Fidelity Bond (\$750,000) Treasurer	1/1/19 to 1/1/20
Philadelphia Olympus Insurance Agency	PHPK1754717	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/19 to 1/1/20
Worker Compensation Fund	1494897	Workers Compensation Liability (\$1,000,000)	1/1/19 to 1/1/20

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 (2018 amended budget). Settled claims have not exceeded commercial excess coverage in any of the past three years.

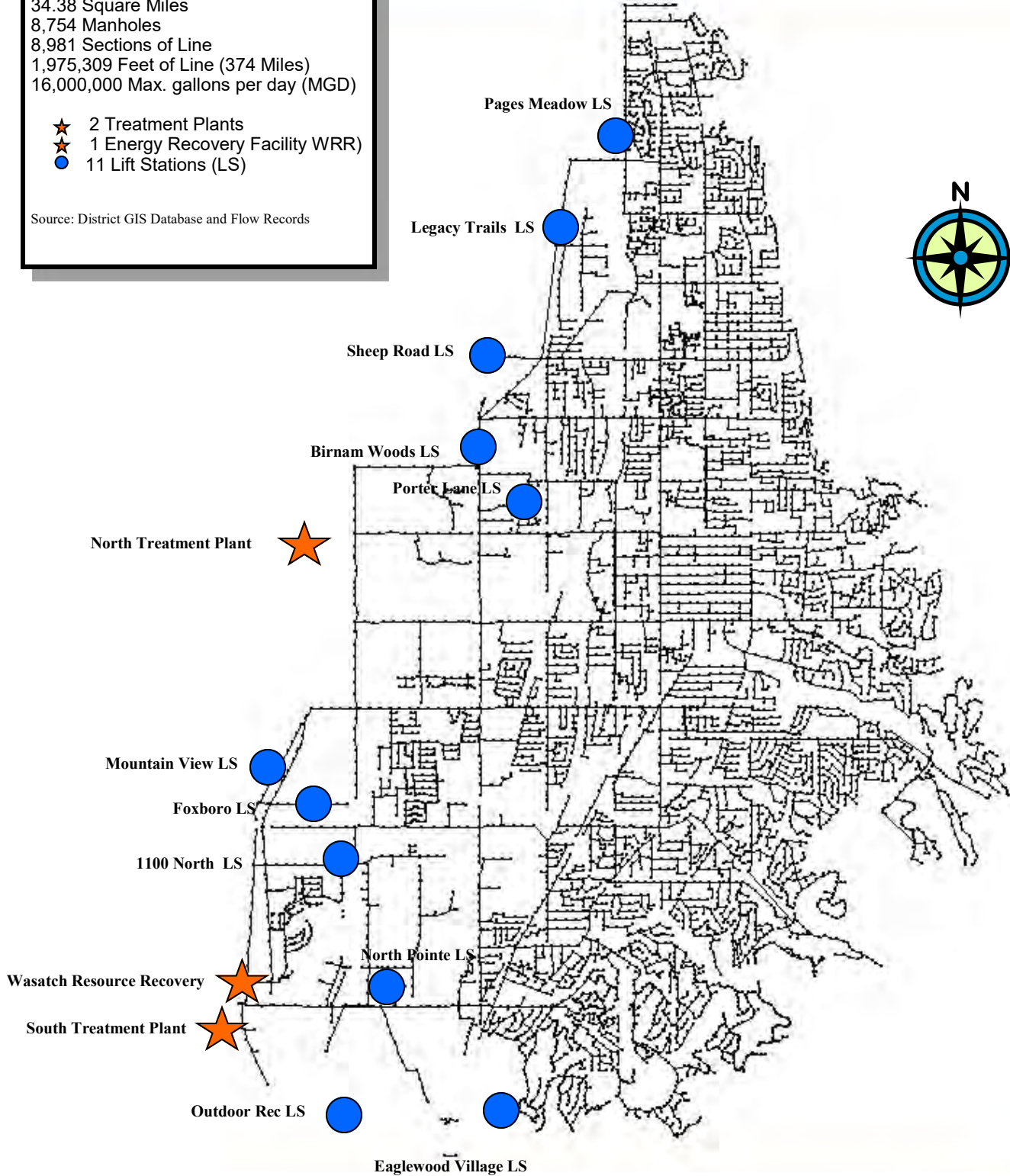
SOUTH DAVIS SEWER DISTRICT
Wastewater System
For The Year Ending December 31, 2019

Statistics

34.38 Square Miles
8,754 Manholes
8,981 Sections of Line
1,975,309 Feet of Line (374 Miles)
16,000,000 Max. gallons per day (MGD)

- ★ 2 Treatment Plants
- ★ 1 Energy Recovery Facility WRR)
- 11 Lift Stations (LS)

Source: District GIS Database and Flow Records



COMPLIANCE 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

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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, 2019 and 2018, 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 24, 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, Slagg, Allen & Company". The signature is written in a cursive style.

Salt Lake City, Utah
June 24, 2020



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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INDEPENDENT AUDITORS’ REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

Report on Compliance with General State Compliance Requirements

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, 2019.

General state compliance requirements were tested for the year ended December 31, 2019 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meetings Act
- Public Treasurer’s Bond

The District did not receive any major or nonmajor State grants during the year ended December 31, 2019.

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 General State Compliance Requirements

In our opinion, South Davis Sewer District complied, in all material respects, with the compliance requirements identified above for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

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.

Karren, Hendrix, Slagg, Allen & Company

Salt Lake City, Utah
June 24, 2020

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

