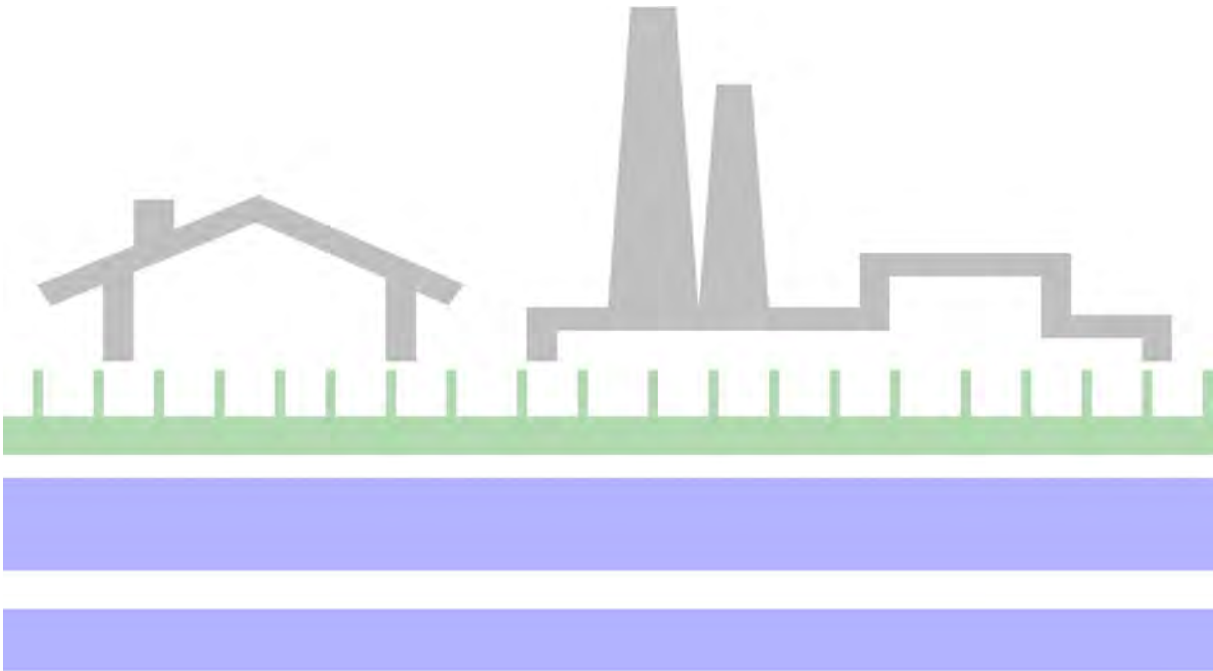


**SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah**

Annual Comprehensive Financial Report
For the Fiscal Year Ending December 31, 2022



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful ,Utah



Annual Comprehensive Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Year Ending December 31, 2022

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 Year Ended December 31, 2022

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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2022

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INTRODUCTORY SECTION





South Davis Sewer District

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

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

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

August 14, 2023

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

State law requires that all local governments publish within six (6) months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified accountants. The South Davis Sewer District (District) hereby submits this Annual Financial Report for the year ended December 31, 2022, in compliance with these requirements.

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

Squire and Company, P.C., a firm of licensed, certified public accountants has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended, December 31, 2022, 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, 2022, are presented fairly in all material respects, the District's financial position with GAAP.

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

The *Annual Financial Report* consists of four main sections:

1. **Introductory Section**, which is unaudited, includes this transmittal letter and provides general information about the District's organizational structure, a list of the District's elected and appointed officials, and a history of District operations.
2. **Financial Section** includes the certified public accountant's report, Management's Discussion and Analysis, the basic financial statements, notes thereto and required supplementary information.

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, served by a sewer system. The treatment facility serving that system was at capacity and not capable of meeting proposed future discharge requirements. Local government leaders could see that on-site septic tank systems could not support anticipated growth. The five cities and Davis County formed the District in 1959 to meet the area-wide need for wastewater collection and treatment.

Other Key Capital Milestones for South Davis Sewer District:

- District Created: 1959
- North Plant Construction: 1962
- South Plant Construction: 1962
- North Plant Expansion: 1991
- South Plant Expansion: 1994
- Bountiful City transfers sewer to District: 2004
- South Plant Upgrades: 2023
- North Plant Upgrades: 2026 (anticipated)

The District currently serves a total population of approximately 103,000 (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% of hydraulic capacity, however they are nearly at their capacity for solids treatment. 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 significant increases in density in new subdivisions 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 May 2022. 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 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 requires significant upgrading of our treatment processes. It has been 28 years and 31 years since the South Plant and the North Plant respectively were expanded and rehabilitated. The District has 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 was estimated in 2020 to be approximately \$50,000,000. A recent review of the cost estimate indicates that the total cost may be \$80,000,000. This is a result of construction cost and equipment cost inflation due to COVID-19 impacts and the enormous amount of light and heavy industrial and commercial construction taking place both locally and nationally.

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-(7) member Board of Trustees governs the District. Each City within the District appoints one Board Member for a four-year term. The two remaining Board Members are elected from the District at large. These Board Members are elected in municipal elections held in odd numbered years. Elected terms are also for four years. Board terms are staggered to provide continuity. The Board elects a chair and vice-chair from its members to serve two (2) year terms. A General Manager who serves the pleasure of the Board directs day-to-day operations.

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

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 the plants and not for current expenses.
- Contingency reserves should be maintained at levels sufficient to provide for unanticipated, non-recurring costs such as major equipment failures.
- Capital projects funded through the issuance of bonds should be financed for a period not to exceed the expected useful life of the project.
- Net revenues (gross revenue less O&M expenses) available for debt service should be generated at a level of 1.2 to 1.5 times the average annual debt service requirement.
- Net revenues that exceed operating expenses and debt service should be used for capital expenditures, restoration of contingency reserves of the wastewater system, and other wastewater purposes.
- Capital financing should be provided through debt financing, current revenues, and contributions from developers, customers, and other governmental entities.
- Cost of service studies should be performed periodically and the relation of revenues to cost be reviewed annually.

Reserves Policy

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

The basic goals for reserve balances are:

- Operating Capital-50 percent of one year's operations & maintenance budget.
- Self-Insurance Reserve-The District is self-insured for vehicle casualty and accepts responsibility for sewer backups on a no-fault basis. Net position 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. Net position 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 (5) years.

Investments

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

Long Term Financial Planning

The District has a written Facilities Plan. This plan is reviewed at intervals of five (5) years or less. The Plan has been reviewed in detail in each of the last three (3) years because of the current amount of capital planned. The existing condition of all District facilities is assessed. It also assesses the current and projected wastewater flows and strengths and reviews this information against the capacity of the collection system and treatment plants. It also evaluates known and anticipated discharge permit requirements. We then project future maintenance and capital improvement needs. The ability of existing and projected District reserves and revenues to support the anticipated financial needs is then assessed. If necessary, the District then adjusts impact fees, user fees, and tax assessments as needed. This plan was most recently updated in its entirety in 2019.

Demographics and flow projections were updated in May 2022, and a final draft submitted to the State of Utah Division of Water Quality (DWQ) in October of 2022.

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 to support major plant rehabilitation and expansion. Bonding for funding of the nutrient removal and rehabilitation projects discussed later in the Annual Financial Report requires increased annual debt service. These projects along with increased wastewater flows and inflation will increase operation and maintenance costs. District sewer rates were 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 have reduced our net operating revenues to a small margin.

The purpose of the study was to review rates relative to bonding requirements for South Plant expected capital improvement needs, and increased operating and maintenance costs over time. 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 this 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 supportive of 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.

In October of 2019 Zions Capital Finance was asked to perform a rate study to address funding needs for North Plant rehabilitation and nutrient removal, projected operation and maintenance cost increases due to nutrient removal, and short-term cash flow impacts of the Wasatch Resource Recovery (WRR) food waste to energy project.

The study produced an eight-(8) year schedule of revenue requirements and proposed sewer service fee and property tax rate alternatives to generate the required revenue. After the required public hearings, the District adopted a rate increase for 2021 of 55%. Residential sewer rates increased from \$10.00 per month to \$15.50 per month.

As the South Plant rehabilitation and nutrient removal projects neared completion in mid-2021, the amount of inflation due to economic conditions created by the COVID pandemic became evident. Inflation increased the cost of these projects by a minimum of 20%.

In 2021 the Utah Division of Water Quality proposed additional reduction of discharge permit limits for ammonia for both plants. The new limits for the South Plant can be met by current improvements. The proposed limits for the North Plant reduced both the 30-day average and the daily maximum limits for ammonia by 50%. These limits were promulgated on January 1, 2021, with a compliance schedule to allow the District time to complete design and construction of projects to meet these limits.

These two developments have a significant impact on the scope and cost of construction. To meet increased funding needs, the District initiated a new rate study. This study updated construction cost projections and project schedules. Based on the new study the District adopted a rate increase of \$3.50 per month. This increased the residential and residential equivalent rate to \$19.00 per month.

The District will examine rates again in 2023 to focus on financing the major improvements necessary for the North Plant.

Property Tax

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

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

eroded the balance between user fees and property tax revenues. In 2020 the Board chose to divide increased revenue requirements between sewer rates and property tax.

By way of comparison, assuming an average home value of \$527,000 (2022 average) and based on a 55% assessed value, the average tax per home is \$88.68, or \$7.39 monthly. Combined with user rate, this is \$316.68 annually or \$26.39 monthly. The Wasatch front annual average total sewer charge is \$492.00 or \$41.00 monthly. In 2021 the national average sewer charge is \$551.00 annually or \$45.92 monthly. This places the District at approximately the 10th percentile of the national average in 2021.

Impact Fees

In 2023, the District, with the assistance of Capex planning and AQUA Engineering, completed a review of its impact fees in accordance with State Statute. The impact fee was increased from \$1,596.00 for a single-family residence to \$2,453.00. This impact fee represents the value of the infrastructure provided to a new home that has been built and financed by existing District users.

Bonding

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

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

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

In December 2019, the District closed bond funding (Series 2019) for the North and South Plant rehabilitation and nutrient removal projects in the amount of \$12,179,000. This was a private placement bond. The All-Inclusive Cost (AIC) interest rate is 2.24%.

To provide on-gong funding for planning, engineering, and equipment pre-purchase for these projects, the District issued series 2021 Bonds in the amount of \$10,000,000. This was again a private placement bond. The All-Inclusive Cost (AIC) interest rate is 2.13%.

Additional bonding will be needed to complete the project. This amount of additional bonding is uncertain because of the economic conditions in the heavy construction industry and the US economy in general. It is estimated to be in excess of \$60,000,000.

Current Major Activities - Accounting

Annual Financial Report

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

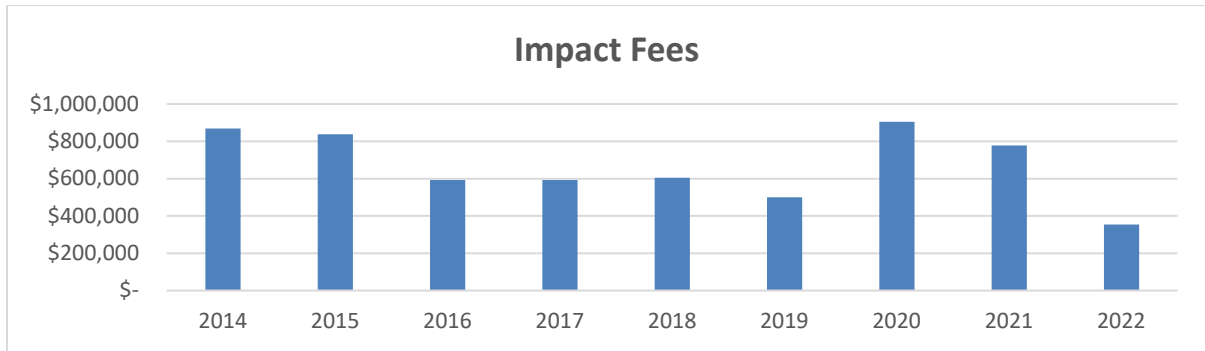
Local Economy

Construction & Development

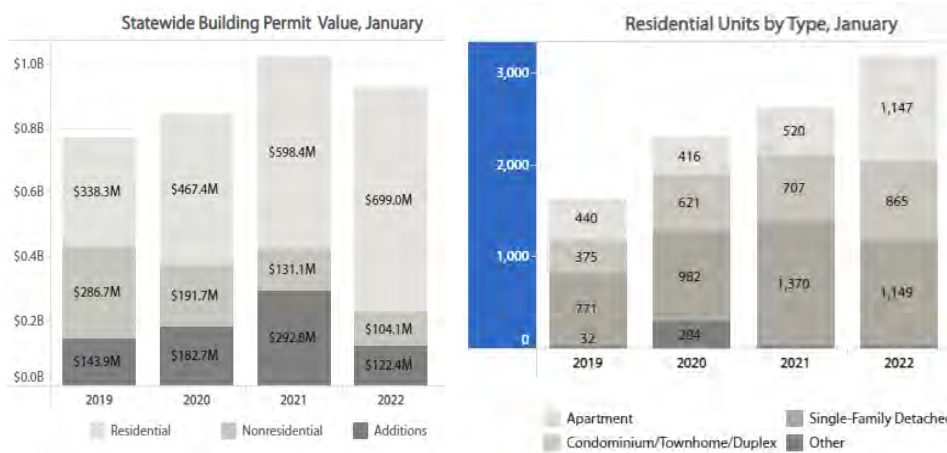
Increased wastewater flows and loads from residential, commercial, and industrial developments affect collection system and treatment plant capacity, operations and maintenance costs, and revenues. There is also a significant workload from site plan reviews, construction inspections, closed circuit television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

With developable land in the District becoming smaller in supply, the number of high-density development projects continues to increase relative to traditional single family dwellings. Housing inflation reached a peak in 2022, but recent trends indicate that value as well as home sales are beginning to decline. The Davis County Assessor's office reports that in January of 2022 the median assessed home value in Davis County was \$400,000. This crested in mid-2022 at \$456,000 and ended up back down to \$402,000 in January of 2023, essentially where it started.

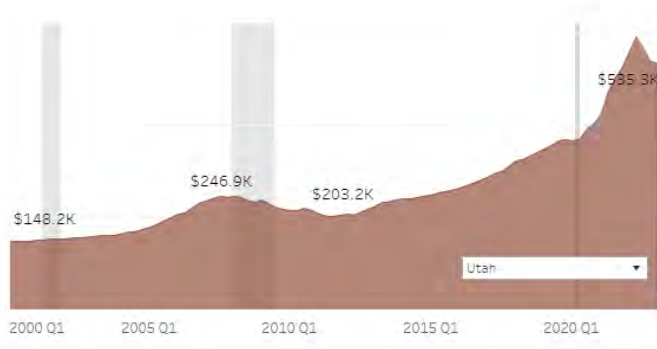
Record inflation coupled with increased interest rates from the Federal Reserve, are the likeliest causes for this decline. Perhaps the largest local indicator of this downward trend for the District is impact fees collected. The chart below shows the stark decline from 2021 to 2022.



Statewide indicators, however, are not so quick to show the decline in housing construction. The two charts below from the Kem C. Gardner Policy Institute's Ivory-Boyer Construction Report and Database, show that while building permit total value decreased from 2021 to 2022, the total number of residential units went up thanks to a strong showing from high density (apartment) construction, and a 22% increase in single family detached as well.

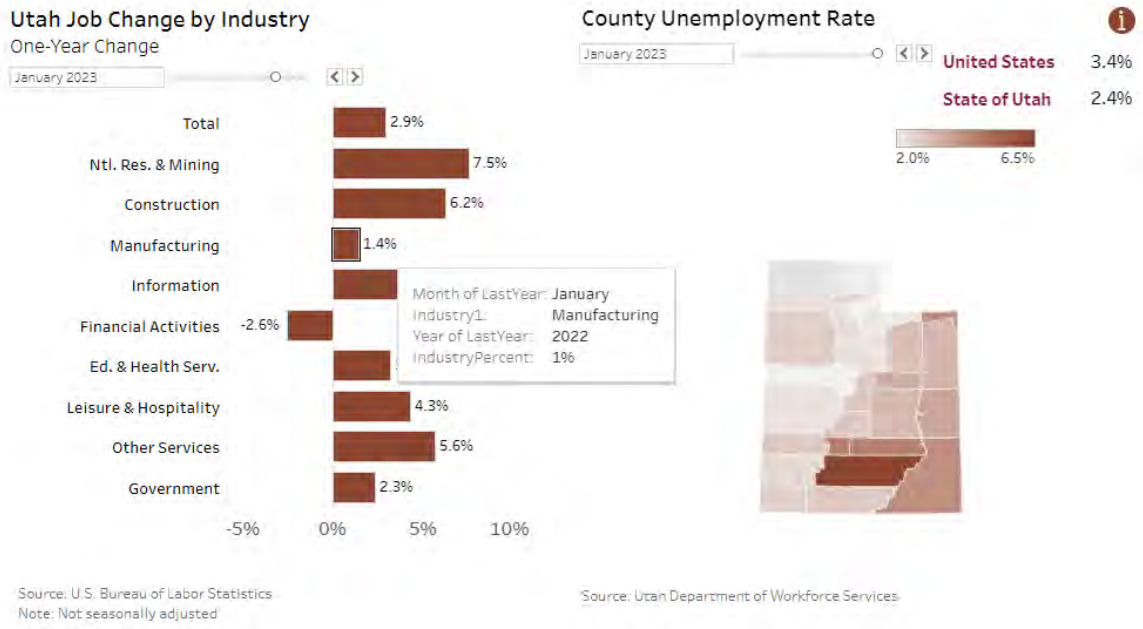


Despite the increase in housing construction from 2021 to 2022, the median value across all of Utah showed a similar decrease in median value to what the County Assessor described for Davis County. This can be seen in the graph from the Kem C. Gardner Policy Institute below:



Employment

Since 2010, Utah’s job growth has remained well above the U.S. average. Below are charts showing job growth by industry sector for Utah in 2022, and unemployment by county in Utah as of the end of 2022.



Current Economic Conditions

In the post-covid economy, “uncertainty” is the best description of what Utah’s best economic minds and institutions have indicated. In the summary section of the Utah Economic Council’s report to the Governor for 2023 the following paragraph provides a nutshell statement:

“Current economic challenges amid an overheated economy include stubbornly high inflation, rapidly rising interest rates, low consumer sentiment, and unmistakable construction and real estate slowdowns. At the same time, many often underappreciated economic buffers exist. Extremely low unemployment coupled with improving supply chains and very strong overall household, firm, and state and local government financial reserves combine to provide a hedge against economic challenges that could spiral into a recession. Economic performance in 2023 will depend on economic decisions made in this complex new environment.”

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

- 0% of respondents believe Utah is currently in recession.
- 5% of respondents believe the U.S. is currently in recession.
- 30% median probability of recession in Utah is the consensus respondent prediction.
- 60% median probability of recession in the U.S. is the consensus respondent prediction.

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

Current Major Activities – Human Resources

One of the key elements in the District's success is the quality of its workforce. There will be approximately six (6) employees retiring over the next five (5) years and ten (10) employees over the next seven (7) years. As nutrient removal facilities come on-line at both plants, additional operators and maintenance personnel will be required. Finding qualified and motivated replacements is likely to be a problem. There is no established pathway leading to employment in the resource recovery industry. The District's compensation is competitive, but we must make a concerted effort to locate and recruit suitable replacements. Salary budgets will be higher in the near term as we hire replacements early enough to be trained before existing employees retire and to staff Wasatch Resource Recovery. Because of the pandemic and the Federal stimulus program, Utah is experiencing extraordinarily tight conditions in the labor market. The Wasatch Front is also experiencing a high level of growth and construction with resulting low levels of unemployment. The response to recent recruiting efforts has been poor.

Retirement Benefits

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

Retirement benefits for District employees who began employment prior to July 1, 2011, are “Tier 1” employees. “Tier 2” employees are those who begin initial employment on or after July 1, 2011. Retirement benefits for these employees are significantly reduced. Additional information is contained in the *Notes to the Financial Statements*.

The District does not provide any other post-employment benefits.

Medical Insurance

Perhaps because of the nature of our work we are particularly sensitive to health issues. The District provides medical, dental, and vision insurance. The District covers the entire premium for the employees and their families. The District, like all employers, is concerned by the tremendous inflation in medical and insurance costs. We periodically request underwritten proposals from all Utah Health Insurance carriers. This was done for 2018. The Utah Public Employees Health Plan, which is a part of the Utah Retirement Systems, was competitive with the commercial market and was again selected to be our insurer. By dropping a tier in coverage and reducing the number of providers available in the system, we were able to reduce our renewal premiums significantly.

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

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

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

Current Major Activities - Regulatory Issues

Emerging Constituents of Concern

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

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. University researchers and wastewater treatment equipment manufacturers are just beginning to develop processes that can be added to existing treatment plants to remove both.

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

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

Utah Pollutant Discharge Elimination System (UPDES) Permit Renewal

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

The Wasatch Front Water Quality Council

The District has joined nine (9) other POTWs discharging to Utah Lake, the Jordan River and/or Farmington Bay of the Great Salt Lake, in an interlocal agreement. In this agreement, these POTWs commit to an organized approach to the many issues arising out of water quality concerns surrounding these water bodies. The group provides ongoing funding to hire a full-time PhD level scientist to assist the group in understanding and responding to technical issues and to direct research contracts funded by the group.

The Water Quality Council requested the District to act as their agent. The District collects and accounts for all funds contributed to the group. The District hires and pays all the Group's employees. We also take care of planning issues such as procuring equipment, materials, transportation, etc. We provide day-to-day supervision of employees as needed. Other members of

the group provide in-kind laboratory services, sponsor additional research projects, and other in-kind assistance.

Treatment Plants – Compliance

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

Violation of these permit limits can result in significant fines. Because of the complexity and variability of wastewater and the biological nature of our treatment plant processes permit violations are inevitable. Permit violations are taken extremely seriously, and aggressive remedial actions are always taken when they occur.

As discussed, lower ammonia limits have created difficulty for the North Plant to achieve consistent compliance. This can happen when stressors on the process biology cause sub optimal performance. In December 2020 and January 2021 cold temperatures caused biology to underperform and resulted in ammonia violations. In July and August of 2021 an equipment failure resulted in more ammonia violations. Then in July of 2022 another process change (using mechanical dewatering instead of solar dewatering of solids residuals) caused another violation. In October of 2022 the State issued a Notice of Violation (NOV) for these exceedances. The District is working with the State to settle the matter. Meanwhile engineering design proceeds for the improvements necessary to achieve compliance with current and future ammonia limits.

South Plant

The South Plant had good compliance for 2022. Process changes to correct violations from 2020-2021 were effective, and construction was completed on a moving bed bioreactor in June of 2022 which then improved performance further regarding ammonia.

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

Current Major Activities - Wasatch Resource Recovery (WRR)

Resource Recovery

The Water Environment Federation (WEF), the professional association for the wastewater industry, has undertaken rebranding 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.

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 one hundred (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.

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 are extensively pretreated and then anaerobically digested. The methane gas produced by digestion is scrubbed of impurities and injected into the natural gas utility system. The project will ultimately produce three million cubic feet of renewable natural gas (RNG) per day. This is enough to supply natural gas for a population of 40,000.

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. It pays the WRR \$10.50 per decatherm (million BTUs). Over the last several years, the market for RNG has strengthened considerably. The current price is as much as \$25 per decatherm. WRR management is seeking to renegotiate this contract.

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. A six (6) member management committee governs this enterprise. The District is represented on this committee by Board of Trustee members; Brian J. Horrocks, 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 Chair.

This is a large and complex project on a 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, 30-months behind schedule. This is due entirely to the gas scrubbing equipment. The supplier of the gas scrubbing equipment is a 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 and is not yet complete.

The Project began sending gas to the grid in January 2021. Gas has been delivered to the grid intermittently since that time. All significant problems except the gas compressor that delivers gas to the membrane filters have been solved. This main compressor was eventually replaced by the manufacturer. The change out of this compressor was completed on 3/15/2022. The motor for the new compressor failed on 3/31/2022. The motor was rewound, and the compressor was back in service on 5/4/2022. During the first day of operation the rewound motor was overheating. A number of reviews by the electrician, the compressor supplier, and the motor manufacturer as well as two outside consultants have not been able to identify a root cause of the problem. The suppliers are proposing a new motor. Fortunately, there are several in stock at various sites. It is expected that we can have one here in five to ten days. It will then take another week to change out the motors.

Current Major Activities - Treatment Plants

North Plant

As reported in previous Letters of Transmittal, the District has been working to pilot and ultimately use algae full scale to treat for nutrients (phosphorus and ammonia nitrogen specifically). The District has encountered significant difficulty getting this technology to work properly. Additional time to troubleshoot and further pilot was requested by the District of the State of Utah Division of Water Quality. However, the State could not grant any more time. As such the District is pivoting in its design for North Plant improvements away from Algae as a treatment mechanism and to the technology already successfully employed at the South Plant. The process is known as a Moving Bed Bioreactor (MBBR).

Engineering design is progressing on plan upgrades and must be completed and submitted to the State for review by September of 2023. Construction must be bid out by the end of January 2024, and completed by August of 2026. These dates are all part of the North Plant UPDES permit and enforceable as such.

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

South Plant

The District had been following a policy of minimizing treatment plant upgrades and improvements until the outcome of proposed new nutrients limits became clearer. With new limits in place rehabilitation of the South Plant and construction of ammonia removal facilities was begun. These facilities consist of the MBBR as previously discussed as well as some other rehabilitation and phosphorus control improvements.

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

Biosolids

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

The South Davis Sewer District is committed to following the principles of conduct set forth in the National Biosolids Code of Good Practice. It is the policy of the District to promote and practice the beneficial use of biosolids and the reuse/recycling of resources. The District strives to maintain, improve, and protect the environment during the production and treatment of biosolids. The District makes every effort to ensure that the public is not endangered or inconvenienced by the production and treatment of biosolids. The District seeks to 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. The 2021 spring and fall hauling and spreading campaigns went very smoothly. We have wet weather issues that need to be addressed, such as soft spots in the access road. Larger flotation tires have been added to the spreader to improve wet weather operations.

The WRR project will ultimately generate more than 25,000 dry tons of biosolids per year. The treatment plants produce 1,000 dry tons per year. This increased volume of biosolids to be utilized presents challenges, but also creates opportunities. The current land application site 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, so additional sites are being sought. The District is also working with a commercial land application site in Weber County for utilization of biosolids and ammonium sulfate produced by the WRR project. The long-range goal for these products is commercialization for the agricultural market. We are currently negotiating a contract with a fertilizer broker to market the ammonium sulfate.

Current Major Activities - 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 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.

Laterals

The District has its own equipment for lining 4-inch diameter laterals. We have lined an average of ninety-two (92) laterals per year over the last three-(3) years, saving the District and homeowners many thousands of dollars.

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

The table and chart below show the work orders associated with lateral linings completed for the three (3) years leading up to and including this report year (based on actual finish dates). In addition to tasks related to lining the lateral (1- Line Lateral (CIPP)), which may include installing a cleanout, it is critical that the District clean and maintain the lateral (1-Clean Lateral) between the time the lateral is identified for lining, and it can be lined. In some instances, the finished liner extends into the sewer main and must be trimmed following the lining (1-Cut Liner).

WORK ORDER	2020	2021	2022	TOTAL
1- Line Lateral (CIPP)	83	100	103	286
1-Clean Lateral	148	155	159	462
1-Cut Liner	44	54	68	166
TOTAL	275	309	330	914

Work Orders (Immediate and Unstable Damage)

The District generates work orders for immediate and unstable damage. These work orders are assigned a priority of URGENT. The tables and charts below show the number of work orders completed by our crews for immediate and unstable damage for the three (3) years leading up to and including this report year.

COMPLETED BY TYPE	2020	2021	2022	TOTAL
Inspection/Record Updates	1	0	0	1
Installation/Repair	2	1	1	4
Maintenance	69	62	80	211
Miscellaneous	0	1	1	2
TOTAL	72	64	82	218

Work Orders (Stable Damage)

District staff generate work orders to stable damage, which are assigned a priority of HIGH, MEDIUM, or LOW depending on the nature and severity of the damage. Work orders for stable damage may not be completed for an extended period, but when crews are dispatched to repair a specific type of stable damage, they use priority to determine the order in which they will complete the work. The table and chart below show the total work orders completed by the crew to address stable damage for the three (3) years leading up to and including this report year.

PRIORITY	2020	2021	2022	TOTAL
Urgent	72	64	82	218
High	216	228	217	661
Medium	702	588	602	1,892
Low	1	0	0	1
TOTAL	991	880	901	2,772

The collection system is in all respects in clean, orderly, and workmanlike condition. The Collection System Operations Facility and collection system mobile equipment is likewise in workmanlike condition. There is no deferred maintenance, which would adversely affect the performance, permit compliance, or the life of these assets.

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 is significant. We have added one full-time clerk for this workload.

Safety

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

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

The implementation process involves working with all District personnel to ensure that everyone understands their role within the program. Those personnel affected by a given regulation or program must be trained on proper, safe work practices through regularly scheduled training sessions. They also get hands-on instruction and advice whenever necessary. In 2021 a safety and industrial hygiene consulting firm completed updating all the District's health and safety programs and documents.

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

Cyber Security

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

In February 2022, the District hosted a training with Olympus Insurance on cyber security and email fraud for all employees. Regular training will become part of the District's ongoing cyber security efforts.

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

EPA has a superfund, groundwater remediation project for removing a plume of perchlorethylene (PCE), a dry-cleaning solvent. This plume is located between 1100 West and Redwood Road and between 500 South and 400 North in West Bountiful. The District was awarded a grant to operate

this facility for 10 years. The District's proposal was half the amount that EPA had budgeted. Our twelve (12) years of operating (operating unit 2) OU2 have been successful and about one-half of the originally proposed budget. Responsibility for OU2 has been transferred to the Utah Division of Waste Management and Radiation Control (DWMR). DWMR has asked the District to continue operating the system.

Risk Management

For 2022 and 2023 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 2022 and 2023 is being provided by Utah Worker's Compensation Fund (A XI). The District's experience modifier is 1.07. This is up from 0.95, a reflection of the higher number of claims for 2019 and 2020. The number of claims in 2021 is down to three (3) from 2019 and 2020's five (5) and seven (7) respectively. The District is self-insured for unemployment. The District is also self-insured for vehicle casualty except for our 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 use resources such as the Utah Workers Compensation Fund and the Utah Safety Council. In addition to in-house safety inspections, we invite inspections by our liability insurance carrier and Utah OSHA consultation specialists.

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Davis Sewer District for its Comprehensive Annual Financial Report (ANNUAL FINANCIAL REPORT) for the fiscal year ended December 31, 2021. This was the 24th 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 (1) 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."

An *Annual Financial Report* is not required by the Governmental Accounting Standards Board (GASB), but according to the GASB Code Sec. 2200.101, "every government entity should prepare and publish, as a matter of public record, an ANNUAL FINANCIAL REPORT that encompasses all funds of the primary government." The District Board of Trustees agrees that good governance requires that the District produce an *Annual Comprehensive Financial Report*.

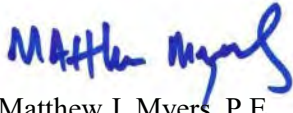
Conclusion

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

The *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 ANNUAL COMPREHENSIVE FINANCIAL REPORT and the Audit by our Accounting Manager, Mark R. Katter and the manager of our Audit, Kyle Greene.

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,



Matthew J. Myers, P.E.
General Manager/Treasurer



Mark R. Katter, CPA
Accounting Manager/Clerk



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**South Davis Sewer District
Utah**

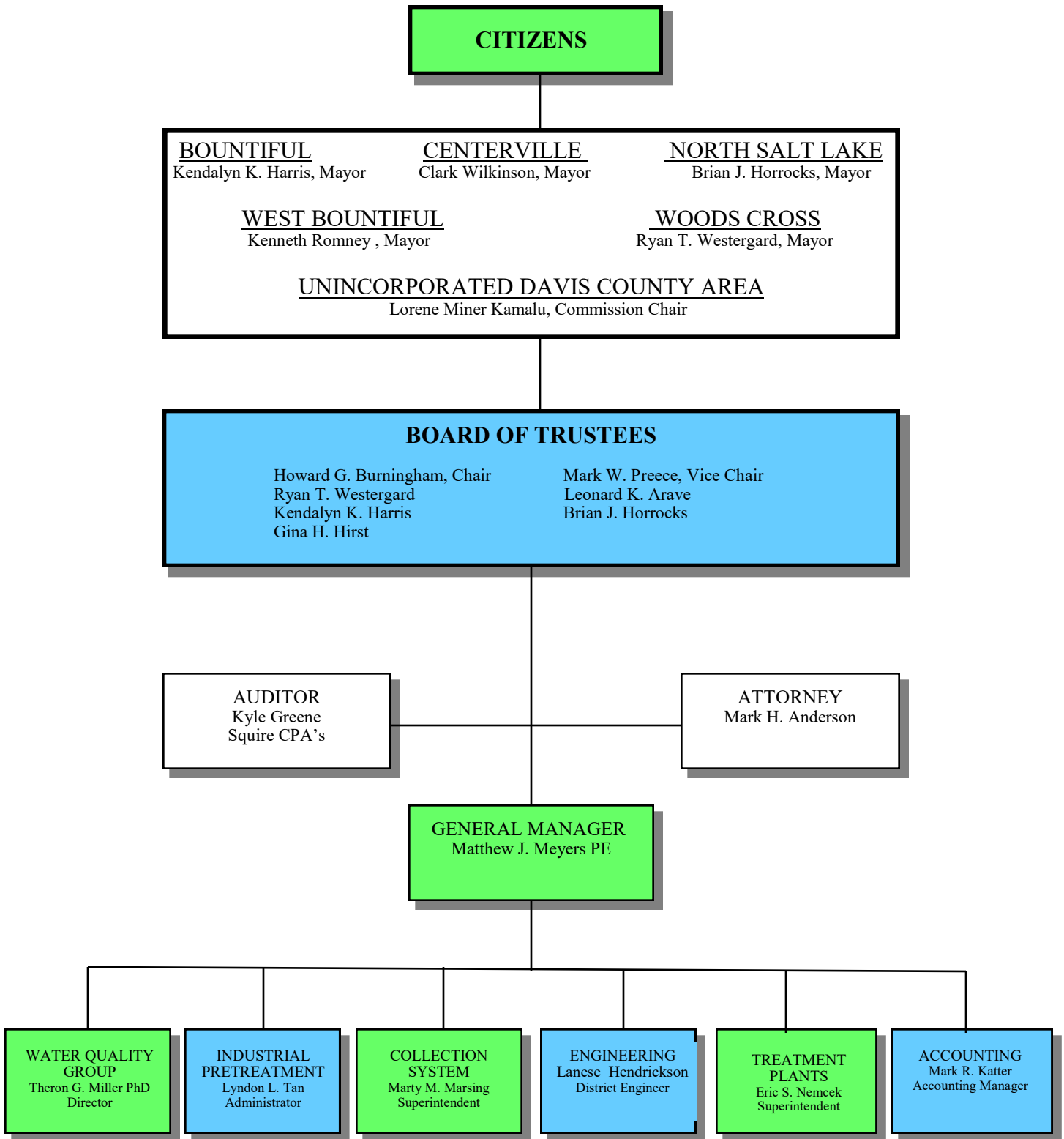
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrill

Executive Director/CEO

SOUTH DAVIS SEWER DISTRICT
 Organizational Chart
 For the Year Ending December 31, 2022



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2022



Mark W. Preece



Howard G. Burningham



Ryan T. Westergard



Brian J. Horrocks



Kendalyn K. Harris



Gina H. Hirst



Leonard K. Arave

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Howard G. Burningham (elected)	Chairman	District at Large	12/31/2025
Mark W. Preece (appointed)	Vice-Chairman	West Bountiful	12/31/2024
Ryan T. Westergard (appointed)	Trustee	Woods Cross City	12/31/2024
Brian J. Horrocks (appointed)	Trustee	North Salt Lake City	12/31/2025
Kendalyn Harris (appointed)	Trustee	Bountiful	12/31/2025
Gina H. Hirst (appointed)	Trustee	Centerville	12/31/2023
Leonard K. Arave (appointed)	Trustee	District at Large	12/31/2025

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
2022 Meeting Schedule
Board of Trustees

PUBLIC NOTICE is hereby given that the 2022 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	20th
February	17th
March	17th
April	21st
May	19th
June	23rd
July	21st
August	18th
September	15th
October	20th
November	17th
December	1st

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.

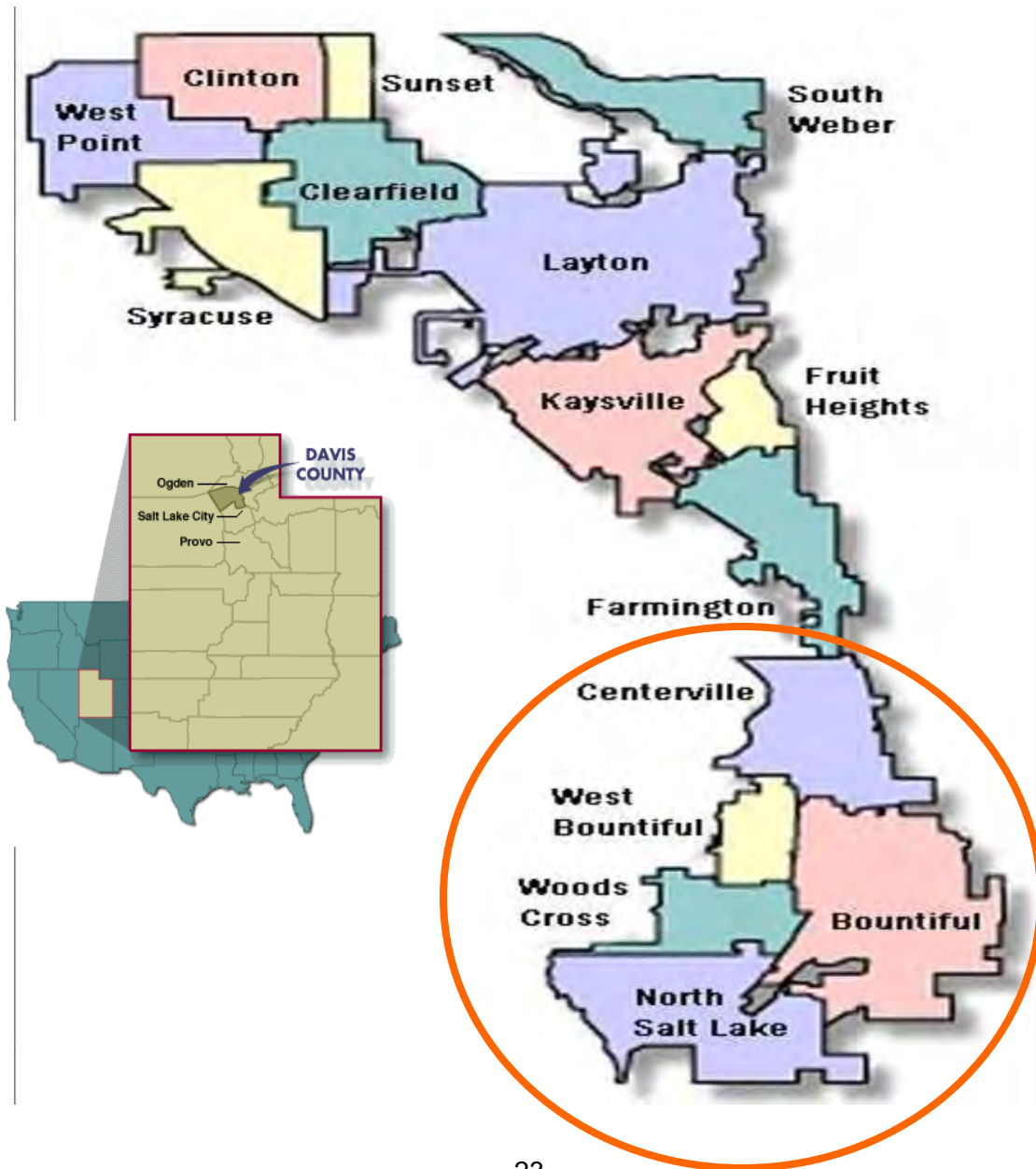
Mark R. Katter
District Clerk

SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2022

Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2022)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,884	5.99	May 5, 1915
West Bountiful	5,917	2.96	Dec. 31, 1948
Bountiful	49,107	13.22	Dec. 5, 1892
Woods Cross	11,410	3.76	Sep. 4, 1930
North Salt Lake	21,907	8.45	Sep. 3, 1946
Totals	105,225		

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



FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Davis Sewer District

Report on the Basic Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Davis Sewer District as of December 31, 2022, and the changes in its financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the information about infrastructure assets reported using the modified approach, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, the schedules of District contributions – Utah Retirement Systems, and the related notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated August 14, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squize & Company, PC

Orem, Utah
August 14, 2023

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

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the fiscal year ending December 31, 2022, with comparative totals for December 31, 2021. 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. 59-63) and Notes to the Financial Statements (pp. 64-82,) and the other information which is presented in the Financial Section and Statistical Section of this *Annual Comprehensive Financial Report (ACFR)*.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2022, therefore the 2022 net position is \$98,316,452 a 5% increase from 2021. In 2021 the District's net position was \$94,061,962. Net investment in capital assets is 90% of the District's total net position.
- Three debt service payments were made: Series 2017A taxable revenue bond, Series 2019 revenue bond and Series 2021 revenue bond, were \$1,638,513, \$788,651, and \$613,611, respectively, totaling \$3,040,775.
- 2022 impact fee revenue was \$353,562, a 55% decrease from 2021. Impact fee revenue in 2021 was \$778,076. The 2022 impact fee revenue was primarily the result of the following major construction developments: Towne Plaza, Orchard Grove, The Ridge, Cottages on Main, Village Station, and Shamrock Station. You can read more about the District's impact fee revenue in the Supplemental Information Section pp. 93-95, and p.100 in the Statistical Section.
- Interest income in 2022 increase came from cash, cash equivalents, and investments that totaled \$273,562 a 442% increase from 2021. Interest income in 2021 was \$50,435. (p.101 Statistical Section).
- Operating revenues for 2022 and 2021 were \$10,817,735 and \$9,542,350 respectively, a 13% increase.). 2022 operating expenses (net depreciation) increased by 16%, or \$1,185,820 from 2021. (See pp. 53-54 in the MD&A Section; p.61 in the Financial Statements; and pp.98,99 in the Statistical Section).

Overview of the Financial Statements

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

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

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

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

The information in the **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 timing of related cash flows.

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 about 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, the net position at the end of fiscal year 2022 was \$98,316,452 (5% increase from 2021). (see pp. 35 ,36 Financial Statements and pp.29, 30 in the MD&A Section, and pp. 35, 36 in the Statistical Section).

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire (90% in 2022), 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 2022 in the amount of \$38,353,967, in the form of three revenue bonds to finance the District's renewal energy project (WRR), treatment plant rehabilitation, and the advance biological nutrient removal system (ABNR) project.

In 2022 the District's operating revenues were \$10,817,735, an increase from \$9,542,380 (2021) by 13%. 2022 operating expenses were \$8,451,481 (net depreciation) a 16% increase from 2021 (\$7,255,661). See pp. 29, 30 in the MD&A section, pp. 35-37 in the Financial Statements, and in the Statistical Section pp. 75-80 and pp.103,104.

Key factors driving the preceding results include:

Sewer service revenue for 2022 was \$9,999,186 an increase of 24% compared to fiscal year 2021 (\$8,093,281). This increase came from continued growth in the new construction of homes and businesses within the District and a rate increase from \$15.50 per EDU per month to \$18.00 per EDU per month effective January 2022. The purpose of this rate increase was to cover inflationary costs and debt service. (see pp. 75,80, and 86 in the Statistical Section and the Notes to the Financial Statements, pp. 39-55 of this report for more information).

2022 and 2021 property tax revenue were \$4,838,069 and \$3,448,081 respectfully, an increase of 40%. Davis County has a collection rate of 98.5%, the increase in property taxes was due to a property tax rate increase. (see p 79 in the Statistical Section for more information).

Contributions to capital revenue were \$2,093,844 and \$318,187 and for 2022 and 2021 respectively. Contributions to capital revenue primarily comes from deeded sewer lines to the District from developers and contractors. 2021 contributions were down as result of a COVID creating supply and labor issues for the construction industry. (see p.89 and p. 98-102-119 in the Statistical Section for more information).

Impact fee revenue is a result of new building construction and development. Impact fee revenue was \$353,562 and \$1,092,233, for 2022 and 2021 respectively. (see pp.93-95 in the Supplementary Information Section).

With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No.34* depreciation expense for 2022 and 2021 were \$292,787 and \$467,448 respectively. Depreciation decreased in

2022 due to asset disposals and longevity. The District assets are lasting longer because of the execution of effective maintenance facilitating this longevity. The Modified Approach is discussed in greater detail in the red Supplementary Information section of this report, pp.62-67. Also, see the Notes to the Financial Statements, pp. 39-55

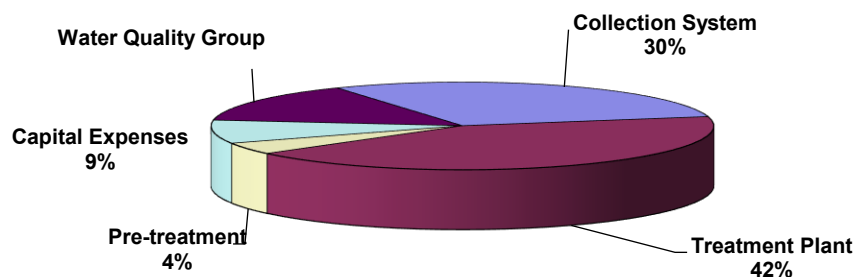
In 2022 personnel services (salaries and benefit expenses) decreased 3% from 2021. This is a result of a tight labor market, health care increases, and the increase in the cost of living (COLA) (see financial statements p. 37).

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

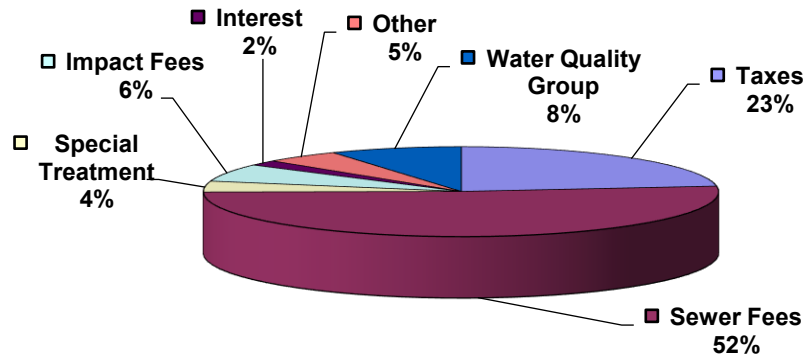
**South Davis Sewer District
Condensed Statements of Net Position
2022-2021**

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

Expenses by Department 2022



Revenue by Source 2022



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

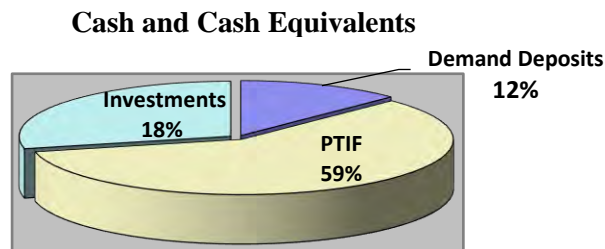
	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 9,999,186	\$ 8,093,281	\$ 1,905,905	24%
Special Treatment Fees	658,907	652,034	6,873	1%
Inspection & Project Fees	63,660	85,118	(21,458)	-25%
Other	95,982	711,947	(615,965)	-87%
Total Operating Revenues	\$ 10,817,735	\$ 9,542,380	\$ 1,275,355	13%
Operating Expenses:				
Operating Expenses	4,962,536	\$ 3,670,645	\$ 1,291,891	35%
Salaries & Benefits	3,488,946	3,585,016	(96,070)	-3%
Depreciation	292,788	467,448	(174,660)	-37%
Total Operating Expenses	\$ 8,744,270	\$ 7,723,109	\$ 1,021,161	13%
Non-Operating Revenue (Expense)				
General Property Tax	\$ 4,838,069	\$ 3,448,081	\$ 1,389,988	40%
Impact Fees	353,562	778,076	(424,514)	-55%
Interest Income	273,562	50,435	223,127	442%
Interest Expense	(1,234,371)	(1,158,733)	(75,638)	7%
Intergovernmental Contributions	804,000	800,000	4,000	1%
Gain (Loss) on Disposal of Property	48,615	38,463	10,152	26%
Unrealized Gain (Loss) on Investments	5,568	(8,438)	14,006	-166%
Contributions to Other Governments	(163,918)		(163,918)	0%
Impairment Loss	(2,500,000)		(2,500,000)	0%
Equity in Earnings (Loss)	(2,337,907)	(1,293,403)	(1,044,504)	81%
Total Non-Operating Revenue (Expense)	\$ 87,180	\$ 2,654,481	\$ (2,567,301)	-97%
Increase in Net Position Before Capital Contributions	\$ 2,160,646	\$ 4,473,752	\$ (2,313,106)	-52%
Capital Contributions	2,093,844	318,187	1,775,657	558%
Increase in Net Position	\$ 4,254,490	4,791,939	(537,449)	-11%
Net Position at Beginning of Year	\$ 94,061,962	\$ 89,270,023	\$ 4,791,939	5%
Net Position at End of Year	\$ 98,316,452	\$ 94,061,962	\$ 4,254,490	5%

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year 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 2022 and 2021 were 4.28% and 0.38% respectively. A ten-year history of the PTIF interest rates is found in the Statistical Section p.95.

\$1,550,000 is invested with Moreton Asset Management which has a net earnings rate is 3.73% as of December 31, 2022. These funds are considered "sustainable funds." The fair value as of December 31, 2022, is \$1,834,385.

The District has five demand deposit accounts all of which earn interest.



Interest income from cash and cash equivalents in 2022 and 2021 was \$273,562 and \$50,435 respectively, a 442% increase. This increase was the result of increases in the Federal Reserve interest rate. See pp.100, 118 in the Statistical Section for more information.

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

Capital Assets

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

The District had \$123,853,926 and \$115,576,631 as of 2022 and 2021 respectively (historical cost) in capital assets. This represents a net increase of 7% as shown in the tables below:

Capital Assets 2022-2021

	2022	2021	Change	Change
Land	\$ 3,070,568	\$ 3,070,568		0%
Infrastructure	93,959,242	91,865,398	\$ 2,093,844	2%
Equipment	14,421,180	13,668,546	752,634	6%
Construction in Progress	12,402,936	6,972,119	5,430,817	78%
Total	\$ 123,853,926	\$ 115,576,630	\$ 8,277,295	7%

The major capital asset events for fiscal year 2022 included the following:

- Construction costs for South Treatment Plant rehabilitation are \$5,175,840.
- Construction costs for North Treatment Plant rehabilitation are \$254,977.
- Contribution of sewer lines from developers valued at \$2,093,844.
- Purchased Speedy Light UV LED system for \$99,670.
- Purchased a 1989 Tadano 33-ton crane for \$31,055.
- Purchased 2012 Snorel Boom lift for \$38,000.
- Purchased GapVac Jet Washer for \$308,861
- Purchased 2013 Volvo dump truck for \$75,000.
- Purchased John Deere 7610 trailer \$58,200.
- Purchased 20" tilt deck trailer for 11,600.
- Purchased solids spreader 2021 for \$60,650.
- Purchased a horizontal end chopper pump for \$86,150.
- Purchased 150 W Cummings Portable generator for \$54,250
- Disposed 1980 Grove Crane 7.5 ton for \$12,150.
- Disposed 1975 Michigan Loader for \$19,189.
- Disposed Bear engine analyzer for \$22,780.
- Disposed (2) 9000-gal water tanks for \$10,000.
- Disposed (2) Trailers \$6,683.

The District spent \$631,430 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2022. 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.

2022 capital asset additions included:

Sewer Lines	\$2,093,844
Equipment	823,437
Construction-In-Progress (CIP)	<u>5,430,817</u>
Total	<u>\$8,348,097</u>

Additional information on the District's capital assets can be found in the Required Supplemental Information section (pp. 62-67), the Statistical Section pp. 98-102 and the Notes to the Financial Statements, pp.39-55

Debt Administration and Long-Term Liabilities

The District issued 20-year taxable revenue bonds (Series 2017A) to finance the construction of the Wasatch Resource Recovery (WRR) renewable energy project. The par amount of these bonds is \$21,195,000. The outstanding bonds payable (net book value) amount is \$17,565,967 as of the end of FY2022. 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. Debt service costs were \$1,638,513.

On December 3, 2019, the District issued revenue bonds, Series 2019 in the amount of \$12,179,000. These bonds will mature December 21, 2039, and have an average coupon rate of 2.16%. The purpose of the Series 2019 bonds is to fund treatment plant rehabilitation and ABNR projects that are required by the State of Utah, Division of Water Quality (DWQ) and the Environmental Protection Agency (EPA) to meet new wastewater standards.

On December 21, 2021, the District issued combined utility revenue bonds, Series 2021, in the amount of \$10,000,000 to fund additional treatment plant rehabilitation and the ABNR project. These bonds mature in 20 years (2041). The average coupon rate is 2.05%

The District received a bond rating from Standard and Poor's (S&P) credit agency of "A". S&P felt that the project resembled a power utility project i.e., Dominion Energy or Rocky Mountain Power more than a normal sewer project. S&P

indicated that the “A” rating is what Questar or Rocky Mountain Power would have received. The District’s credit rating has not changed.

As of December 31, 2022, the District had non-current liabilities relating to compensated absences due to employees is \$758,401, an increase of 10% (\$683,957). This was the result of a cost-of-living adjustment (COLA), merit increases, and two employees retired. For more information, see the “Notes to the Financial Statements” pp39-55.

The District had a net pension liability totaling \$0 and \$110,823 for 2022 and 2021 and respectively. The Utah Retirement System’s actuaries lowered its assumed rate of return of 6.85% and the actual rate of return was 7.5% consequently resulting in a decrease to the net pension liability. See the Notes to Financial Statements, pp. 39-55 and the Required Supplemental Section, pp. 58-61 for more information.

**Outstanding Non-Current Debt and Non-Current Liabilities
2022-2021 and 2021-2020**

	Fiscal Year 2022	Fiscal Year 2021	Change	Percent Change
Compensated Absences	\$ 708,401	\$ 648,957	\$ 59,444	9%
Net Pension Liability	-	110,823	(110,823)	-100%
Revenue Bonds Payable	36,384,967	38,222,320	(1,837,353)	-5%
Total	<u>\$ 37,093,368</u>	<u>\$ 38,982,100</u>	<u>\$ (1,888,732)</u>	<u>-5%</u>

Modified Approach to Accounting for Infrastructure

Starting January 1, 2004, the District elected to use the Modified Approach instead of the Depreciation Approach to manage capital assets and correct any deficiencies of its qualifying networks or subsystems of infrastructure assets (Collection system, lift stations and treatment plant facilities) as defined by *GASB Statement No. 34*. The Modified Approach reflects a more accurate portrayal of infrastructure value. Using the Depreciation Approach does not consider the value added or maintained due to maintenance and rehabilitation efforts to extend the life of the asset. When possible, the District utilizes the experience and knowledge of its employees to perform most of the preservation procedures to its infrastructure assets in order to keep costs low.

The District’s Asset Management Plan (AMP) defines a condition rating scale between 1 and 5, with 1 being very good and 5 being very poor. **The District’s target level of service is a rating between 1 and 3.**

Funds totaling \$903,000 were budgeted and funds expended were \$868,000 in 2022 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 2023. The District has always budgeted and expended significant funds for this purpose. The estimated budget required to maintain and preserve the current overall condition through the fiscal year ending December 31, 2030, is \$685,800 per year.

There have been no significant changes in the condition level of the collection system, treatment plants, lift stations and their related subsystems compared to the target levels, (See the table on pages 82-83) 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 2023 for all infrastructure assets.

Additional information about the Modified Approach can be found in the Supplementary Information Section of this report (pp. 62-67) and the Notes to the Financial Statements, pp. 39-55.

Economic Factors, Next Year’s (2022) Budgets, and Rates

- The District continues to approach budgeting for revenues conservatively with the focus on long-term sustainability. The economy in Utah is projected to be strong, especially in the construction and development of real estate (2023 Governor Economic Report). The unemployment rate in Utah is forecasted at 2.3% for 2023. Low unemployment is a factor in a strong economy. Currently, Utah is one of the strongest in the United States despite the challenges of COVID, inflation, employment, and supply chain issues.

- The 2023 debt service for the three 20-year revenue bonds, (series 2017A, 2019 and 2021), will be interest payments totaling \$1,170,213 and principal payments totaling \$1,869,000. Total debt service for 2023 will be \$3,039,213.
- The Utah State Tax Commission proposed certified tax rate property tax values for 2023 is \$13,273,919.295. According to the Davis County Assessor, property values are to level off in 2023. The certified tax rate revenue for 2023 is projected to be \$4,114,915. The proposed property tax rate for 2023 is .000310, a 1.30% increase (.000306) from 2022.
- Short-term interest rates have been significantly trending upward since the 2nd quarter of 2021. 2022 interest rates are still trending upward due to high inflation, supplies chain shortages, and labor shortages. It is projected the short-term interest rate for 2023 will be above 7.0%.
- \$903,000 is budgeted for repairs and maintenance of the District's infrastructure and is broken down as follows: \$540,000 for the collection system and lift stations, \$363,000 for treatment plants. It is projected that four to six new employees at a projected cost of \$800,000 will be needed in 2023 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 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, 2022, this was still in the planning and feasibility stage.
- A monthly sewer service rate increase in 2023 is probable. The current monthly sewer service rate is \$18.00. The purpose of these rate increases is to increase is to cover additional debt service of the ABNR and District treatment plants rehabilitation expenses. As of the date of this report, the District is still exploring if additional funding will be needed (sewer service rate increase).

Requests for Information

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

SOUTH DAVIS SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 4,310,683
Investments	1,834,385
Receivables:	
Sewer service charges	607,775
Property taxes	1,382,994
Special treatment charges	110,887
Leases	250,769
Other	54,461
Inventory	16,104
Prepaid expenses	22,341
	<hr/>
Total current assets	8,590,399

Capital Assets:

Land, construction in progress, sewer treatment facility and collection system	109,432,746
Machinery and equipment, mobile equipment, and office furniture and collection system, net of accumulated depreciation	9,505,561
	<hr/>
Net capital assets	118,938,307

Other Assets:

Restricted cash and cash equivalents	8,651,079
Investment in WRR, LLC	2,491,555
Reimbursable costs	27,068
Net pension asset	3,035,089
	<hr/>
Total other assets	14,204,791
	<hr/>
Total assets	141,733,497

DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS 913,405

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

SOUTH DAVIS SEWER DISTRICT
STATEMENT OF NET POSITION (Continued)
December 31, 2022

LIABILITIES

Current Liabilities:

Current portion of bonds payable	1,869,000
Accounts payable	1,574,679
Construction retention payable	120,600
Accrued salaries and related benefits	99,587
Accrued interest	97,518
Current portion of compensated absences	50,000
	<hr/>
Total current liabilities	3,811,384

Long-Term Liabilities:

Bonds payable, net of unamortized discount, less current portion	36,384,967
Compensated absences, less current portion	708,401
	<hr/>
Total long-term liabilities	37,093,368
	<hr/>
Total liabilities	40,904,752

DEFERRED INFLOWS OF RESOURCES:

Related to pensions	3,174,929
Leases	250,769
	<hr/>
Total deferred inflows of resources	3,425,698

NET POSITION

Net investment in capital assets	88,632,423
Restricted for net pension asset	3,035,089
Unrestricted	6,648,940
	<hr/>
Total net position	<u><u>\$ 98,316,452</u></u>

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

SOUTH DAVIS SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2022

Operating Revenues:	
Sewer service charges	\$ 9,999,186
Sewer special treatment charges	658,907
Inspection and project fees	63,660
Other operating revenues	95,982
	<hr/>
Total operating revenues	10,817,735
Operating Expenses:	
Personnel services	3,488,946
Contractual services	575,766
Utilities	504,072
Repairs and maintenance	3,110,967
Supplies	585,972
Insurance	185,758
Depreciation	292,788
	<hr/>
Total operating expenses	8,744,269
	<hr/>
Operating Income	2,073,466
Nonoperating Revenues (Expenses):	
Property taxes	4,838,069
Intergovernmental contributions	804,000
Impact fees	353,562
Interest income	273,562
Unrealized gain on investments	5,568
Interest expense	(1,234,371)
Loss in investment in WRR, LLC	(2,337,907)
Impairment loss in WRR, LLC	(2,500,000)
Contributions to other governments	(163,918)
Gain on the sale of capital assets	48,615
	<hr/>
Total nonoperating revenues (expenses)	87,180
	<hr/>
Income Before Capital Contributions	2,160,646
	<hr/>
Capital Contributions:	
Developer contributed sewer lines	2,093,844
	<hr/>
Change in Net Position	4,254,490
	<hr/>
Net Position at Beginning of Year	94,061,962
	<hr/>
Net Position at End of Year	\$ 98,316,452
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The accompanying notes are an integral part of these financial statements.

**SOUTH DAVIS SEWER DISTRICT
STATEMENT OF CASH FLOWS**

Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Cash received from customers	\$ 10,706,451
Cash paid to suppliers	(3,794,363)
Cash paid to employees and for benefits	<u>(4,624,153)</u>
Net cash provided by operating activities	2,287,935
Cash Flows from Noncapital Financing Activities:	
Intergovernmental contributions collected	804,000
Property taxes collected	<u>4,370,266</u>
Net cash provided by noncapital financing activities	5,174,266
Cash Flows from Capital and Related Financing Activities:	
Interest paid	(1,204,654)
Impact fees collected	353,562
Purchases of capital assets	(6,254,253)
Proceeds from sale of capital assets	48,615
Principal payments on bonds payable	<u>(1,836,000)</u>
Net cash used by capital and related financing activities	(8,892,730)
Cash Flows from Investing Activities:	
Contributions made to WRR, LLC	(4,331,337)
Interest received	<u>236,361</u>
Net cash used by investing activities	<u>(4,094,976)</u>
Net Change in Cash	(5,525,505)
Cash at Beginning of Year	<u>18,487,267</u>
Cash at End of Year (see Note 2)	<u><u>\$ 12,961,762</u></u>

A reconciliation of operating income to cash flows used by operating activities follows:

Operating income	\$ 2,073,466
Depreciation	292,788
Changes in operating assets and liabilities:	
Receivables	(118,129)
Prepaid expenses	(12,974)
Inventory	(2,352)
Reimbursable costs	6,845
Accounts and construction retention payable	1,159,498
Accrued expenses	85,617
Net pension asset and related deferrals	<u>(1,196,824)</u>
Net cash provided by operating activities	<u><u>\$ 2,287,935</u></u>
Noncash financing, capital, or investing activities:	
Change in investment in WRR	\$ (2,337,907)
Impairment loss in investment in WRR	(2,500,000)
Contributed sewer lines	2,093,844
Change in fair value of investments	5,568
Recording of lease receivable and related deferred inflow	253,614
Pass-through taxes contributed to other governments	(163,918)

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

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

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

Measurement Focus and Basis of Accounting

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

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

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

Budgetary Basis

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable from customers primarily represent assessments to member cities. An allowance for doubtful accounts has been established of \$0 at December 31, 2022.

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Leases

During the year ended December 31, 2022, the District adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. The new standard establishes a single model for lease accounting based on the foundation principle that leases are financings of the right-to-use an underlying asset. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. There was no impact to beginning net position in the government-wide financial statements or beginning fund balances as a result of adopting this standard.

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

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

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

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

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

Inventory and Prepaid Items

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

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

Capital Assets

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

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Compensated Absences

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

Pensions

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

Long-Term Obligations

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Net Position

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

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, 2022. Revenues from impact fees were \$353,562 for the year ended December 31, 2022.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Carrying amount of deposits	\$ 658,285
Carrying amount of investments	<u>14,137,862</u>
Total deposits and investments	<u><u>\$ 14,796,147</u></u>
Current assets - cash and cash equivalents	\$ 4,310,683
Current assets - investments	1,834,385
Other assets - restricted cash and cash equivalents	<u>8,651,079</u>
Total deposits and investments	<u><u>\$ 14,796,147</u></u>

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

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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

Deposit

The District's carrying amount of bank deposits at December 31, 2022 is \$658,285 and the bank balance is \$869,383 (\$250,000 of which is covered by federal depository insurance). Uninsured deposits are not collateralized.

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

Investments

The District had a balance of \$12,303,477 held in the PTIF at December 31, 2022. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state's name by the state's custodial banks, primarily consisting of corporate bonds and notes. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to prevailing market interest rates. The PTIF has no debt securities with more than 5% of its total investments in a single issuer. The PTIF is not rated. The reported fair value of the pool is the same as the fair value of the pool shares.

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

The District had the following investment and quality ratings as of December 31, 2022:

Investment Type	Fair Value	Quality Rating					
		Aaa	Aa3	A1	A2	A3	Unrated
Investments:							
PTIF	\$ 3,652,398	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,652,398
Mutual funds	528,462	528,462	-	-	-	-	-
Certificates of deposits	425,007	-	241,995	-	89,509	93,503	93,503
Corporate bonds	880,916	-	252,351	502,668	-	125,897	125,897
	<u>5,486,783</u>	<u>528,462</u>	<u>494,346</u>	<u>502,668</u>	<u>89,509</u>	<u>219,400</u>	<u>3,871,798</u>
Restricted investments:							
Bond Reserve Account - PTIF	8,651,079	-	-	-	-	-	8,651,079
Total investments	<u>\$ 14,137,862</u>	<u>\$ 528,462</u>	<u>\$ 494,346</u>	<u>\$ 502,668</u>	<u>\$ 89,509</u>	<u>\$ 219,400</u>	<u>\$12,522,877</u>

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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

The District’s investment balances by investment type and maturity are as follows at December 31, 2022:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Investments:					
PTIF	\$ 3,652,398	\$ 3,652,398	\$ -	\$ -	\$ -
Mutual funds	528,462	528,462	-	-	-
Certificates of deposits	425,007	241,995	183,012	-	-
Corporate bonds	880,916	504,304	376,612	-	-
	<u>5,486,783</u>	<u>4,927,159</u>	<u>559,624</u>	<u>-</u>	<u>-</u>
Restricted investments:					
Bond Reserve Account - PTIF	<u>8,651,079</u>	<u>8,651,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 14,137,862</u>	<u>\$ 13,578,238</u>	<u>\$ 559,624</u>	<u>\$ -</u>	<u>\$ -</u>

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy is to follow the Utah Money Management Act and to invest mainly in the PTIF. The District’s investment policy does not limit the amount that can be held by counterparties.

NOTE 3 – FAIR VALUE MEASUREMENTS

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

The District has the following recurring fair value measurements as of December 31, 2022:

Utah Public Treasurers’ Investment Fund of \$12,303,477 is valued at the District’s position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

SOUTH DAVIS SEWER DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Mutual funds of \$528,462 are valued at the daily closing price as reported by the fund (Level 1 inputs).

Certificates of deposit of \$425,007 are valued at the original amount deposited at the financial institution plus the interest earned on the certificate through the end of the fiscal year (Level 2 inputs).

Corporate bonds of \$880,916 are valued using a matrix pricing model (Level 2 inputs).

NOTE 4 – PROPERTY TAXES

District Property Tax Revenue

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

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

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

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

NOTE 5 – JOINT VENTURE

In 2017, the District entered into a joint venture with ALPRO SD, LLC (ALPRO), a Utah limited liability company to construct a project that would be jointly owned by the District and ALPRO. The District and ALSPRO each own a 50 percent investment in the Resource Recovery Project as tenants in common. Operations of the jointly owned project are managed by Wasatch Resource Recovery, LLC (WRR), a Utah limited liability company. The District has a 50 percent member interest in WRR. At December 31, 2022, the District’s investment in WRR of \$2,491,555 represents amounts contributed to WRR less the District’s equity in the accumulated earnings (losses) as of December 31, 2022 and any adjustments for impairment.

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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

Summary financial information for WRR is as follows:

WRR. LLC	
Summary Financial Information	
As of and for the Year Ended December 31, 2022	
Cash	\$ 282,099
Accounts receivable	730,407
Capital assets	<u>13,500</u>
Total assets	1,026,006
Accounts payable	<u>321,044</u>
Net position	<u><u>\$ 704,962</u></u>
Operating revenue	\$ 3,412,522
Operating expenses	<u>(8,088,337)</u>
Net loss	<u><u>\$ (4,675,815)</u></u>

NOTE 6 – LEASE RECEIVABLE

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

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS

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

	Balance at Jan. 1, 2022	Additions	Deletions	Balance at Dec. 31, 2022
Capital assets not being depreciated:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	6,972,119	5,430,817	-	12,402,936
Infrastructure - (sewer treatment facility)	91,865,398	2,093,844	-	93,959,242
Total capital assets not being depreciated	101,908,085	7,524,661	-	109,432,746
Capital assets being depreciated:				
Machine and equipment	9,457,084	140,400	(32,780)	9,564,704
Mobile equipment	3,440,272	683,036	(38,022)	4,085,286
Office furniture and equipment	771,191	-	-	771,191
Total capital assets being depreciated	13,668,547	823,436	(70,802)	14,421,181
Accumulated depreciation for:				
Machine and equipment	(1,957,561)	(43,852)	32,780	(1,968,633)
Mobile equipment	(2,109,840)	(220,948)	38,022	(2,292,766)
Office furniture and equipment	(626,233)	(27,988)	-	(654,221)
Total accumulated depreciation	(4,693,634)	(292,788)	70,802	(4,915,620)
Net capital assets being depreciated	8,974,912	530,648	-	9,505,561
Net capital assets	\$ 110,882,997	\$ 8,055,309	\$ -	\$ 118,938,307

The District's construction commitments are mostly complete as of December 31, 2022.

NOTE 8 – RETIREMENT PLANS

Description of Plans

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

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

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

SOUTH DAVIS SEWER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

Defined Contribution Plans (individual account plans):

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

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

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

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

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

Benefits Provided

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

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

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

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

Contributions

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

District required contribution rates for the plans were as follows for the year ended December 31, 2022:

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

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

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

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

District and employee contributions to the plans were as follows for the year ended December 31, 2022:

	District Contributions *	Employee Contributions
Tier 1 Noncontributory System	\$ 359,342	\$ -
Tier 1 Contributory System	53,742	22,711
Tier 2 Public Employees System	158,296	-
Tier 2 Defined Contribution System	7,942	-
401(k) Plan	55,706	141,853
457 Plan and other individual plans	-	84,941

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

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

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

At December 31, 2022, the District reported a net pension asset of \$3,035,088 and a net pension liability of \$0 for the following plans:

	Net Pension Asset	Net Pension Liability
	<u> </u>	<u> </u>
Tier 1 Noncontributory System	\$ 1,219,414	\$ -
Tier 1 Contributory System	1,794,979	-
Tier 2 Public Employees System	<u>20,695</u>	<u>-</u>
Total	<u>\$ 3,035,088</u>	<u>\$ -</u>

The net pension liability (asset) was measured as of December 31, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2021, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2021 and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	<u>2021</u>	<u>Change</u>
Tier 1 Noncontributory System	0.2129198 %	0.0136363 %
Tier 1 Contributory System	2.4794490 %	0.3255332 %
Tier 2 Public Employees System	0.0488969 %	(0.0109109)%

The District recognized pension expense for the plans as follows at December 31, 2022:

	Pension Expense
	<u> </u>
Defined benefit pension plans:	
Tier 1 Noncontributory System	\$ (148,899)
Tier 1 Contributory System	(540,866)
Tier 2 Public Employees System	<u>72,174</u>
Total	<u>\$ (617,591)</u>
Defined contribution plans:	
Tier 2 Defined Contribution Plan	\$ 7,942
401(k) Plan	<u>55,706</u>
Total	<u>\$ 63,648</u>

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

The District reported deferred outflows of resources related to defined benefit pension plans from the following sources at December 31, 2022:

	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	Total
Differences between expected and actual experience	\$ 127,721	\$ -	\$ 10,054	\$ 137,775
Changes of assumptions	114,447	-	19,297	133,744
Changes in proportion and differences between District contributions and proportionate share of contributions	46,762	-	15,800	62,562
Contributions subsequent to the measurement date	359,342	53,742	166,237	579,321
Total	<u>\$ 648,272</u>	<u>\$ 53,742</u>	<u>\$ 211,388</u>	<u>\$ 913,403</u>

The District reported deferred inflows of resources related to defined benefit pension plans from the following sources at December 31, 2022:

	Deferred Inflows of Resources Related to Pensions			Total
	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	
Differences between expected and actual experience	\$ -	\$ -	\$ 2,666	\$ 2,666
Changes of assumptions	7,871	-	196	8,067
Net difference between projected and actual earnings on pension plan investments	1,641,778	1,470,306	51,135	3,163,219
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-	977	977
Total	<u>\$ 1,649,649</u>	<u>\$ 1,470,306</u>	<u>\$ 54,974</u>	<u>\$ 3,174,929</u>

The \$579,321 reported as deferred outflows of resources related to pensions resulting from our contributions subsequent to the measurement date of December 31, 2022 will be recognized as a reduction of the net pension liability (asset) in the year ending December 31, 2023. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending December 31,	Tier 1 Noncontributory System	Tier 1 Contributory System	Tier 2 Public Employees System	Total
2022	\$ (241,667)	\$ (354,908)	\$ (9,296)	\$ (605,871)
2023	(450,390)	(513,670)	(12,005)	(976,064)
2024	(395,876)	(362,338)	(8,623)	(766,837)
2025	(272,786)	(239,390)	(4,833)	(517,009)
2026	-	-	4,354	4,354
Thereafter	-	-	20,579	20,579

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

Actuarial Assumptions

The total pension liability (asset) in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2019. Assumptions remained unchanged that affect measurement of the total pension liability (asset) since the prior measurement date.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity securities	37%	2.43%
Debt securities	20%	(0.06%)
Real assets	15%	0.87%
Private equity	12%	1.18%
Absolute return	16%	0.47%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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

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

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 655,716	\$ (1,219,414)	\$ (2,783,845)
Tier 1 Contributory System	(716,150)	(1,794,979)	(2,709,284)
Tier 2 Public Employees System	123,305	(20,695)	(131,257)
Total	<u>\$ 62,871</u>	<u>\$ (3,035,088)</u>	<u>\$ (5,624,386)</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plans

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

NOTE 9 – LONG-TERM LIABILITIES

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

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

SOUTH DAVIS SEWER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

A summary of principal debt requirements to maturity for the revenue bonds (competitive and direct placements) for the years following December 31, 2022 are as follows:

Year Ending December 31,	Outstanding Bonds		Outstanding Bonds (Direct Placement)		Total
	Principal	Interest	Principal	Interest	
2023	\$ 900,000	\$ 737,263	\$ 969,000	\$ 432,950	\$ 3,039,213
2024	930,000	708,013	989,000	433,086	3,060,098
2025	960,000	676,625	1,010,000	392,811	3,039,436
2026	995,000	643,025	1,030,000	372,106	3,040,131
2027	1,030,000	606,956	1,052,000	350,991	3,039,948
2028-2032	5,835,000	2,360,138	5,587,000	1,422,693	15,204,831
2033-2037	7,195,000	999,900	6,191,000	820,872	15,206,772
2038-2041	-	-	3,860,000	125,599	3,985,599
	<u>\$ 17,845,000</u>	<u>\$ 6,731,919</u>	<u>\$ 20,688,000</u>	<u>\$ 4,351,110</u>	<u>\$ 49,616,028</u>

Revenue bonds payable with their outstanding balance are comprised of the following individual issues at December 31, 2022:

Series	Purpose	Original Amount	Interest Rate Range	Final Maturity Date	Outstanding Balance
2017A	Investment in WRR	\$ 21,195,000	3.250% - 4.500%	December 1, 2037	\$ 17,845,000
2019 (Direct placement)	North and South Plant Rehab	12,179,000	2.050%	December 1, 2039	11,108,000
2021 (Direct placement)	North and South Plant Rehab	10,000,000	2.050%	December 1, 2041	9,580,000
					<u>\$ 38,533,000</u>

NOTE 10 – CONDUIT DEBT

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

At December 31, 2022, the principal amount payable for the one series was \$22,905,000.

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

NOTE 11 – ECONOMIC DEPENDENCY

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

NOTE 12 – RISK MANAGEMENT

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

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

NOTE 13 – ENVIRONMENTAL REMEDIATION LIABILITY

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

REQUIRED SUPPLEMENTARY INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses, Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2022

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 9,400,000	\$ 10,500,000	\$ 9,999,186	\$ (500,814)
Sewer Special Treatment	250,000	600,000	658,907	58,907
Inspection Fees	22,000	21,000	21,960	960
Project Fees	55,000	55,000	41,700	(13,300)
Permit Fees	5,800	5,800	5,750	(50)
Sampling Fees	15,000	15,000	18,649	3,649
Lab Testing Fees	26,000	25,000	34,752	9,752
Taxable Sales	1,000	2,000	1,093	(907)
General Other Revenue	240,000	260,000	(88,862)	(348,862)
Total	10,014,800	11,483,800	10,693,134	(790,666)
Non-operating Revenues				
Property Taxes	4,585,000	4,093,700	4,838,069	744,369
Impact Fees	400,000	350,000	353,562	3,562
Delinquent Account Administration Fees	130,000	125,000	124,600	(400)
Interest	110,000	100,000	273,562	173,562
Surplus Property Sales	200,000	100,000	48,615	(51,385)
WFWQC Contributions	804,000	804,000	804,000	-
Total	6,229,000	5,572,700	6,442,408	869,708
Total Revenue	\$ 16,243,800	\$ 17,056,500	\$ 17,135,542	\$ 79,042
EXPENSES				
Operating Expenses				
Operating Expenses	\$ 471,000	\$ 239,500	\$ 298,346	\$ (58,846)
Repairs & Maintenance	503,000	460,000	531,430	(71,430)
Utilities	397,000	385,300	348,970	36,330
Payroll and Benefits	4,059,000	4,751,000	4,663,116	87,884
Biosolid Disposal	50,000	50,000	48,630	1,370
No-Fault Sewer Back-up	12,000	10,000	3,935	6,065
Outside Services	662,000	708,000	551,429	156,571
Chemicals	640,000	950,000	1,321,349	(371,349)
Lab Testing	310,000	209,000	266,009	(57,009)
Transportation	63,000	70,000	108,918	(38,918)
Buildings & Grounds	46,000	40,500	37,104	3,396
Office & Computer	340,000	285,000	464,991	(179,991)
Insurance	149,000	193,000	181,823	11,177
Audit & Accounting	15,000	22,000	15,000	7,000
Utah DWQ Fees	19,000	19,000	9,337	9,663
Education & Training	53,000	91,500	102,235	(10,735)
Total	\$ 7,789,000	\$ 8,483,800	\$ 8,952,623	\$ (468,823)

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, 2022

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Outfall/Sewer Lines	-	300,000	298,087	1,913
Operating Equipment	137,000	60,650	54,250	6,400
Building and Facilities	1,350,000	4,525,000	5,176,619	(651,619)
Mobile Equipment	274,000	683,000	683,043	(43)
Major Equipment & Engineering	100,000	100,000	-	100,000
Office Equipment	3,000	3,000	-	3,000
Other				
Debt Service	2,427,529	2,427,529	2,427,529	-
Finance Costs - SP		12,750	12,750	-
Finance Costs - NP		-	-	-
Total	4,291,529	8,111,929	8,652,279	(540,350)
-				
Total Expenses	12,080,529	16,595,729	17,604,902	(1,009,173)
-				
Excess of Revenue over Expenses	\$ 4,163,271	\$ 460,771	\$ (469,360)	\$ (930,131)

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

	2021	2020	2019	2018	2017	2016	2015	2014
Tier 1 Noncontributory System:								
District's proportion of the net pension liability (asset)	0.2129198%	0.1992835%	0.1946828%	0.1854115%	0.1827746%	0.1859885%	0.1773809%	0.1714837%
District's proportionate share of the net pension liability (asset)	\$ (1,219,414)	\$ 102,221	\$ 733,734	\$ 1,365,319	\$ 800,790	\$ 1,194,274	\$ 1,003,707	\$ 744,623
District's covered payroll	1,806,770	1,612,366	1,637,481	1,627,788	1,659,575	1,703,079	1,579,894	1,504,734
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(67.5)%	6.3%	44.8%	83.9%	48.3%	70.1%	63.5%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	108.7%	99.2%	93.7%	87.0%	91.9%	87.3%	87.8%	90.2%
Tier 1 Contributory System:								
District's proportion of the net pension liability (asset)	2.4794490%	2.1539158%	1.8822009%	1.7087889%	1.5504906%	1.2969910%	0.6854172%	0.5162013%
District's proportionate share of the net pension liability (asset)	\$ (1,794,979)	\$ (386,029)	\$ 123,353	\$ 693,431	\$ 126,170	\$ 425,557	\$ 481,749	\$ 148,895
District's covered payroll	364,186	355,299	337,278	319,834	314,619	311,199	292,048	275,901
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(492.9)%	(108.6)%	36.6%	216.8%	40.1%	136.7%	165.0%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	115.9%	103.9%	105.0%	91.2%	98.2%	92.9%	85.7%	94.0%
Tier 2 Public Employees Retirement System:								
District's proportion of the net pension liability (asset)	0.0488969%	0.0598078%	0.0502777%	0.0733910%	0.0137612%	0.0105558%	0.0067634%	0.0079996%
District's proportionate share of the net pension liability (asset)	\$ (20,695)	\$ 8,602	\$ 11,308	\$ 13,165	\$ 1,213	\$ 1,177	\$ (15)	\$ (242)
District's covered payroll	908,362	956,444	697,698	359,127	134,222	86,566	43,693	39,225
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(2.3)%	0.9%	1.6%	3.7%	0.9%	1.4%	(0.0)%	(0.6)%
Plan fiduciary net position as a percentage of the total pension liability	103.8%	98.3%	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:								
Contractually required contribution	\$ 359,342	\$ 332,906	\$ 296,972	\$ 300,655	\$ 298,868	\$ 304,458	\$ 311,783	\$ 288,938
Contributions in relation to the contractually required contribution	<u>(359,342)</u>	<u>(332,906)</u>	<u>(296,972)</u>	<u>(300,655)</u>	<u>(298,868)</u>	<u>(304,458)</u>	<u>(311,783)</u>	<u>(288,938)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,977,219	\$ 1,806,770	\$ 1,612,366	\$ 1,637,481	\$ 1,627,788	\$ 1,659,575	\$ 1,702,246	\$ 1,579,894
Contributions as a percentage of covered payroll	18.17%	18.43%	18.42%	18.36%	18.36%	18.35%	18.32%	18.29%
Tier 1 Contributory System:								
Contractually required contribution	\$ 53,742	\$ 52,661	\$ 51,376	\$ 48,770	\$ 46,248	\$ 45,494	\$ 44,999	\$ 42,230
Contributions in relation to the contractually required contribution	<u>(53,742)</u>	<u>(52,661)</u>	<u>(51,376)</u>	<u>(48,770)</u>	<u>(46,248)</u>	<u>(45,494)</u>	<u>(44,999)</u>	<u>(42,230)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 378,521	\$ 364,186	\$ 355,299	\$ 337,278	\$ 319,834	\$ 314,619	\$ 311,199	\$ 292,048
Contributions as a percentage of covered payroll	14.20%	14.46%	14.46%	14.46%	14.46%	14.46%	14.46%	14.46%
Tier 2 Public Employees System:								
Contractually required contribution	\$ 158,296	\$ 144,740	\$ 150,446	\$ 108,954	\$ 55,056	\$ 20,194	\$ 12,907	\$ 6,521
Contributions in relation to the contractually required contribution	<u>(158,296)</u>	<u>(144,740)</u>	<u>(150,446)</u>	<u>(108,954)</u>	<u>(55,056)</u>	<u>(20,194)</u>	<u>(12,907)</u>	<u>(6,521)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 987,001	\$ 908,362	\$ 956,444	697,698	359,127	134,222	86,566	43,693
Contributions as a percentage of covered payroll	0.00%	15.93%	15.73%	15.62%	15.33%	15.05%	14.91%	14.92%
Tier 2 Defined Contribution System:								
Contractually required contribution	\$ 7,942	\$ 7,752	\$ 5,796	\$ 4,035	\$ 1,948	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(7,942)</u>	<u>(7,752)</u>	<u>(5,796)</u>	<u>(4,035)</u>	<u>(1,948)</u>	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 123,639	\$ 115,870	\$ 86,639	60,308	29,123	-	-	-
Contributions as a percentage of covered payroll	0.00%	6.69%	6.69%	6.69%	6.69%	0.00%	0.00%	0.00%

SOUTH DAVIS SEWER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

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

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

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

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

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

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

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

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

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

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

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

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

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

SOUTH DAVIS SEWER DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE C – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

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

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

SUPPLEMENTARY INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2022

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 2021** 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 376 miles (1,987,220 feet) of sewer lines, 9,221 sections of line, 8,988 manholes, 11 lift stations, 2 treatment plants that can treat up to 16 million gallons (capacity) per day (MGD) of wastewater and one resource recovery facility.

In 2022, approximately 18% of the District's collection system was cleaned and 13% was inspected by closed circuit television (CCTV) in 2020 (see Collection System GIS TV and Cleaning Maps in this section).

The District expended \$696,157 on maintenance and/or preservation of its infrastructure assets for the year ended December 31, 2021. 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 103,100 and 83 rehabilitation projects for CIPP on sewer lateral lines in 2022, 2021 and 2020 for a total cost of \$50,835, \$49,537 and \$34,770 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 target service level of 1 to 3 (moderate/fair) for all infrastructure assets (see rating system).

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		
	2021	2019	2017	2021	2019	2015	2021	2019	2015	2021	2019	2017
Very Good	655	783	675	653	548	890	1540	1212	1440	11	11	11
Good	46	72	3	17	15	24	32	25	18			
Fair	15	12	18	85	56	0	12	18	17			
Poor	2	2	2	28	27	15	8	3	12			
Very Poor	1	1		3				1				

In 2021, the District performed 786 condition assessments of line segments for the collection system, calculated in accordance with *GASB Statement No. 34* guideline. The District also performed an assessment of both treatment plant facilities, inspection of 2030 manholes, 11 lift stations and the WRR facility. The condition assessment of the line segments identified 25 deficiencies in line segments and 24 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2021. 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 main compressor at WRR has been inconsistent in producing the energy to generate green natural gas (3 rating). Replacing it with a new one is being considered.
- The condition of the co-gen facility itself is excellent (1 rating).

The next condition assessment sample is scheduled for 2023.

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

Estimated	2016	2017	2018	2019	2020	2021	2022
	\$668,287	\$691,323	\$672,067	\$650,370	\$676,500	\$693,000	\$903,000
Actual	2016	2017	2018	2019	2020	2021	2022
	\$782,817	\$557,777	\$517,768	\$489,365	\$696,157	\$885,754	868,000

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

Funds totaling \$903,000 are budgeted for fiscal year 2022 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$540,000 Collection System
\$363,000 Plant & Equipment Facilities

The amount estimated to achieve the 2021 minimal target conditional assessment is \$693,000 and the actual cost was \$885,754. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

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

Target Level of Service:

- 1=Very Good - New or newer, no maintenance needed
- 2=Good – Asset provides adequate service, minor maintenance needed.
- 3=Fair- Natural wear, surface deficiencies, major repairs.
- 4=Poor – Deteriorated to extent of structural improvements needed. Major maintenance.
- 5=Very Poor – Asset is severely deteriorated and performance unacceptable.

See chart below:

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

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

Source: District asset management records



TV INSPECTIONS

2020-2022



Pipe sections that were TV'ed between 2020 and 2022 are shown above in black.



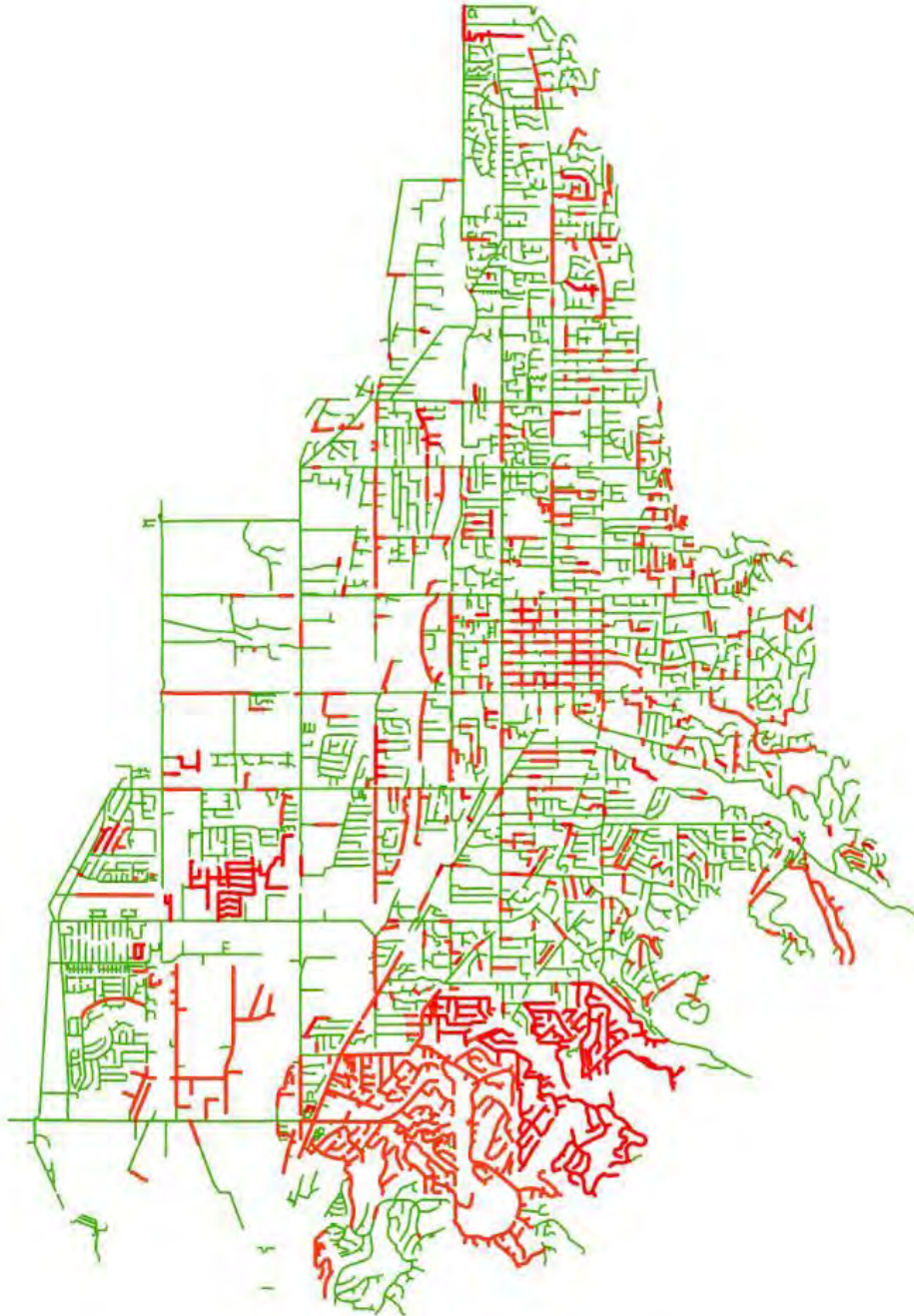
SOUTH DAVIS SEWER DISTRICT

2022 Collection System Statistics

Year Ending December 31, 2022

CLEANING

2020-2022



Pipe sections that were cleaned between 2020 and 2022 are shown above in red.



South Davis Sewer District

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

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

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

South Davis Sewer District
Local Government

December 31, 2022
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, 2022, and their scheduled intended use.

Chief Financial Officer

South Davis Sewer District
Local Government

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees
For the Year Ending, December 31, 2022

Customer Name	Account	Service	Amount	Post Date	Comments
STREBEL, SHARLEE ANNE	19540-00	IMPACT FEES	1596.00	01/03/2022	F22001 R36212
HARDY, NICK & ANA	13677-00	IMPACT FEES	1596.00	01/20/2022	R# 36270 F22-002
SIKTEL, PRATIMA GYANWALI &	25373-00	IMPACT FEES	1596.00	01/24/2022	R36287 F22-003
KRISTENSEN, COLBY & JULIE	25374-00	IMPACT FEES	1596.00	01/24/2022	R#36289 F#22-005
SEELEY, JENNIFER L & ROBERT	25375-00	IMPACT FEES	1596.00	01/24/2022	R#36291 F#22-007
CAMPBELL, KEVIN & HEATHER	25376-00	IMPACT FEES	1596.00	01/24/2022	R#36293 F#22-009
CEBALLOS, OSCAR A	25377-00	IMPACT FEES	1596.00	01/24/2022	R#36294 F#22-010
MALDONADO, GUILLERMO	25380-00	IMPACT FEES	1596.00	01/24/2022	R#36292 F#22-008
REYES, JENNIFER	25381-00	IMPACT FEES	1596.00	01/24/2022	R#36290 F#22-006
POULSON, BENJAMIN & ALLISON	25382-00	IMPACT FEES	1596.00	01/24/2022	R#36288 F#22-004
RIMINI PROPERTIES LLC	04434-00	IMPACT FEES	2214.60	01/26/2022	F22011 R36316 AG
RIMINI PROPERTIES LLC	04434-00	IMPACT FEES	1635.90	02/03/2022	R#36379 F#22-012
MORIANCUMER BNK LLC	05488-00	IMPACT FEES	3591.00	02/11/2022	F22013 36421
THE HIVE OFFICE BUILDING	25393-00	IMPACT FEES	6184.50	02/11/2022	F22083 36491
THE HIVE OWNERS ASSOC., INC	25443-00	IMPACT FEES	1596.00	02/15/2022	F22064 R36472
THE HIVE OWNERS ASSOC., INC	25445-00	IMPACT FEES	1596.00	02/15/2022	F22066 R36474
LAWRENCE, SIMEON M II & JODI	25446-00	IMPACT FEES	1596.00	02/15/2022	F22067 R36475
HALLIDAY, RYLIE & RYAN	25447-00	IMPACT FEES	1596.00	02/15/2022	F22068 R36476
CRUZ, JESUS ALDAIR	25448-00	IMPACT FEES	1596.00	02/15/2022	F22069 R36477
WOROB, THOMAS & ELLIE	25449-00	IMPACT FEES	1596.00	02/15/2022	F22070 R36478
PRICE, DAVID	25450-00	IMPACT FEES	1596.00	02/15/2022	F22071 R36479
WILLDEN, BRETT & LARISA	25451-00	IMPACT FEES	1596.00	02/15/2022	F22072 R36480
THE HIVE OWNERS ASSOC., INC	25452-00	IMPACT FEES	1596.00	02/15/2022	F22073 R36481
THE HIVE OWNERS ASSOC., INC	25453-00	IMPACT FEES	1596.00	02/15/2022	F22074 R36482
CW URBAN LLC	25454-00	IMPACT FEES	1596.00	02/15/2022	F22075 R36483
CW URBAN LLC	25455-00	IMPACT FEES	1596.00	02/15/2022	F220476 R36484
RIDDLEBERGER, MORGAN C	25456-00	IMPACT FEES	1596.00	02/15/2022	F22077 R36485
HULIYAPPA, NITHIN	25457-00	IMPACT FEES	1596.00	02/15/2022	F22078 R36486
CW URBAN LLC	25458-00	IMPACT FEES	1596.00	02/15/2022	F22079 R36487
PHILLIPS, JEANNE & SCOTT	25459-00	IMPACT FEES	1596.00	02/15/2022	F22080 R36488
CW URBAN LLC	25460-00	IMPACT FEES	1596.00	02/15/2022	F22081 R36489
RINDLISBACHER, BRANDON &	25461-00	IMPACT FEES	1596.00	02/15/2022	F22082 R36490
THE HIVE OWNERS ASSOC., INC	25444-00	IMPACT FEES	1596.00	02/16/2022	F22065 36473
BENJAMIN SHELDON - TRUSTEE	10828-00	IMPACT FEES	1596.00	03/01/2022	F22-085 R#36552
NELSON, HANK & EMILY	34295-00	IMPACT FEES	1596.00	03/01/2022	F22-083 R#36551
DUNN, RICHARD & TIFFANY	17220-00	IMPACT FEES	1596.00	03/04/2022	F22086 36572
WARNER, MARCELA CARRILLO &	19756-00	IMPACT FEES	1596.00	03/08/2022	F22-087 R#36582
SAX, KIMBERLY NASIEF &	19757-00	IMPACT FEES	1596.00	03/08/2022	F22-088 R#36583
NSL PARK LOFTS AT CITY	00973-00	IMPACT FEES	9576.00	03/10/2022	F22-089 R#36595
JUAREZ, OMAR & MICHELE	05487-00	IMPACT FEES	1596.00	03/14/2022	F22090 R36614
MORTENSEN, KIRSTIE & BRENT	25378-00	IMPACT FEES	1596.00	03/14/2022	F22-091 R#36615
HATCH, KORT JENSEN &	25379-00	IMPACT FEES	1596.00	03/14/2022	F22-092 R#36616
SALMON HVAC / PASTURE LLC	03014-00	IMPACT FEES	1596.00	03/17/2022	F22097 36636
SYMPHONY HOMES, LLC	05782-00	IMPACT FEES	1596.00	03/17/2022	F22-096 R#36634
CHAPMAN, KARA	05783-00	IMPACT FEES	1596.00	03/17/2022	F22094 36632
SYMPHONY HOMES, LLC	05784-00	IMPACT FEES	1596.00	03/17/2022	F22095 36633
NA'A, TEVITA P & LAVONI	25336-00	IMPACT FEES	1596.00	03/18/2022	F22098 R36641
POFFENBERGER, GREG	25337-00	IMPACT FEES	1596.00	03/18/2022	F22099 36642
ANATO, FERNANDO JAVIER	25338-00	IMPACT FEES	1596.00	03/18/2022	F22100 36643
SADLER, FRANKA & ROY	25339-00	IMPACT FEES	1596.00	03/18/2022	F22101 36644
WOODBURY, ARTHUR & ESTHER	25340-00	IMPACT FEES	1596.00	03/18/2022	F22102 36645
JOHNSTON, LINDSEY WILLIAMS &	25341-00	IMPACT FEES	1596.00	03/18/2022	F22103 36646
JOHNSON, QUECH CHIV &	25342-00	IMPACT FEES	1596.00	03/18/2022	F22104 R36647
SUAREZ, ANTONIO ALVAREZ	25343-00	IMPACT FEES	1596.00	03/18/2022	F22105 36648
CARLISLE, TRISTAN & SARAH	25344-00	IMPACT FEES	1596.00	03/18/2022	F22106 36649
BEITEL, STUART & KRISSY	25345-00	IMPACT FEES	1596.00	03/18/2022	F22107 36650
WEBB, HEATHER & SPENCER	25346-00	IMPACT FEES	1596.00	03/18/2022	F22108 36651
KAHUHU, CLEMENT & ANGELA	25347-00	IMPACT FEES	1596.00	03/18/2022	F22109 36652
FEHR, KARLI	25348-00	IMPACT FEES	1596.00	03/18/2022	F22110 36653
STRONG, JORDAN & LAURA	25349-00	IMPACT FEES	1596.00	03/18/2022	F22111 36654

HWANG, ISAAC DUSHKU & SUMIN	25350-00	IMPACT FEES	1596.00	03/18/2022	F22112 36655
LOW, WILLIAM W & SARAH M	25351-00	IMPACT FEES	1596.00	03/18/2022	F22113 36656
LIU, DANIEL FRYE & TONG	25352-00	IMPACT FEES	1596.00	03/18/2022	F22114 36657
ELLIOTT, ANNELIESA ALLRED & SCHULTZ, TERRY	25353-00	IMPACT FEES	1596.00	03/18/2022	F22115 36658
ERICKSON, RYAN-	25354-00	IMPACT FEES	1596.00	03/18/2022	F22116 36659
FAISAL, AARON & PHILIP	25355-00	IMPACT FEES	1596.00	03/18/2022	F22117 36660
CHRISTIANSEN, DEVIN L & HALEE	25356-00	IMPACT FEES	1596.00	03/18/2022	F22118 36661
GUSTAFSON, JUSTIN & VALERIE	25357-00	IMPACT FEES	1596.00	03/18/2022	F22119 R36662
MOUNGA, KALOLLAINE & PAULA	25358-00	IMPACT FEES	1596.00	03/18/2022	F22120 36663
GONZALEZ, YASMIN LOPEZ & TALIVAKAOLA, JANE & NIUTANA-	25359-00	IMPACT FEES	1596.00	03/18/2022	F22121 36664
TURNER, KRYSTAL & CALEB	25360-00	IMPACT FEES	1596.00	03/18/2022	F22122 36665
MOULTRIE, DAVE & DEANNA	25361-00	IMPACT FEES	1596.00	03/18/2022	F22123 36666
NSL PARK LOFTS AT CITY	25362-00	IMPACT FEES	1596.00	03/18/2022	F22124 36667
HANSEN, MARK & LESLIE	19507-00	IMPACT FEES	1596.00	03/28/2022	F22125 36688
ANDERSON, PAUL & AINSLEY	00973-00	IMPACT FEES	11172.00	03/31/2022	F22-126-132 R36707-36713
MUKAI, KRISTEN & KEVIN	31789-00	IMPACT FEES	1596.00	04/01/2022	F22-133 R#36715
PLATT, RUSSELL	19611-00	IMPACT FEES	1596.00	04/19/2022	F22-134 R36755
NSL PARK LOFTS AT CITY	19574-00	IMPACT FEES	1596.00	04/21/2022	F22-136 R36767
CAVANAUGH, BRAD & SHANNON	19905-00	IMPACT FEES	1596.00	04/27/2022	F22-137 R36788
WEST BOUNTIFUL CITY-	00973-00	IMPACT FEES	7980.00	05/05/2022	F22139 R36828
JF SKY LANDING PARTNERS LLC	18684-00	IMPACT FEES	1596.00	05/05/2022	F22-140 R36831
STOUT, JAMES & REBECCA-	04657-00	IMPACT FEES	3032.40	05/06/2022	F22141 R36834
DAILEY DEVELOPMENT GROUP	11068-00	IMPACT FEES	30164.40	05/09/2022	F22-142 R36839
SPENCER STEPHENS	25238-00	IMPACT FEES	1596.00	05/13/2022	F22143 R36858
WHITLEDGE, LYNNE	19755-00	IMPACT FEES	1596.00	05/16/2022	F22-144 R36867
RIORDAN, PAULA & DAVID L	13255-00	IMPACT FEES	1596.00	06/02/2022	F22145 R36924
LEADING TECH CONSTRUCTION	25136-00	IMPACT FEES	1596.00	06/09/2022	F22-146 R36946
BOUWHUIS, BRENN & KIMBERLY	19003-00	IMPACT FEES	1596.00	06/22/2022	F22147 R 36997
RUPP, JOSEPH & JENNIFER	18475-00	IMPACT FEES	8139.60	06/28/2022	F22148 R37036
STOUT BUILDING CONTRACTORS	17972-00	IMPACT FEES	1596.00	06/29/2022	F22-149 R37039
STOUT BUILDING CONTRACTORS	16054-00	IMPACT FEES	1596.00	07/07/2022	F22-150 R37071
STOUT BUILDING CONTRACTORS	17988-00	IMPACT FEES	1596.00	07/20/2022	F22-152 R37120
SI BUILDERS LLC	17989-00	IMPACT FEES	1596.00	07/20/2022	F22151 R37119
TOMECEK, BRANDON & AUBREY	17990-00	IMPACT FEES	1596.00	07/20/2022	F22153 R37121
TOLL BROS INC	19521-00	IMPACT FEES	1596.00	07/28/2022	F22-155 R37173
TOLL BROS INC	19701-00	IMPACT FEES	1596.00	08/01/2022	F22-174 R37211
TOLL BROS INC	19702-00	IMPACT FEES	1596.00	08/01/2022	F22185 R37222
TOLL BROS INC	19703-00	IMPACT FEES	1596.00	08/01/2022	F22-178 R37215
MORIC, KATELYN & ENDI	19704-00	IMPACT FEES	1596.00	08/01/2022	F22-175 R37212
TOLL BROS INC	19766-00	IMPACT FEES	1596.00	08/01/2022	F22-176 R37213
STOLPE, STANLEY A	19767-00	IMPACT FEES	1596.00	08/01/2022	F22-168 R37205
TOLL BROS INC	19768-00	IMPACT FEES	1596.00	08/01/2022	F22-169 R37206
MARTIN, BROOK	19775-00	IMPACT FEES	1596.00	08/01/2022	F22-172 R37209
LABOSSIERE, SARAH FLUHMAN & TOLL BROS INC	19776-00	IMPACT FEES	1596.00	08/01/2022	F22-177 R37214
TOLL BROS INC	19777-00	IMPACT FEES	1596.00	08/01/2022	F22187 R37224
TOLL BROS INC	19779-00	IMPACT FEES	1596.00	08/01/2022	F22186 R37223
TOLL BROS INC	19780-00	IMPACT FEES	1596.00	08/01/2022	F22188 R37225
TOLL BROS INC	19781-00	IMPACT FEES	1596.00	08/01/2022	F22-179 R37216
TOLL BROS INC	19786-00	IMPACT FEES	1596.00	08/01/2022	F22183 R37220
TOLL BROS INC	19787-00	IMPACT FEES	1596.00	08/01/2022	F22-180 R37217
TOLL BROS INC	19788-00	IMPACT FEES	1596.00	08/01/2022	F22182 R37219
TOLL BROS INC	19789-00	IMPACT FEES	1596.00	08/01/2022	F22-181 R37218
TOLL BROS INC	19792-00	IMPACT FEES	1596.00	08/01/2022	F22184 R37221
TOLL BROS INC	19795-00	IMPACT FEES	1596.00	08/01/2022	F22-170 R37207
TOLL BROS INC	19797-00	IMPACT FEES	1596.00	08/01/2022	F22-171 R37208
TOLL BROS INC	19798-00	IMPACT FEES	1596.00	08/01/2022	F22-173 R37210
CW URBAN LLC	25525-00	IMPACT FEES	1596.00	08/01/2022	F22-167 R37202
CW URBAN LLC	25526-00	IMPACT FEES	1596.00	08/01/2022	F22-157 R37192
CW URBAN LLC	25527-00	IMPACT FEES	1596.00	08/01/2022	F22-158 R37193
CW URBAN LLC	25528-00	IMPACT FEES	1596.00	08/01/2022	F22-159 R37194
CW URBAN LLC	25529-00	IMPACT FEES	1596.00	08/01/2022	F22-160 R37195
FISCHER, MARGARET	25530-00	IMPACT FEES	1596.00	08/01/2022	F22-161 R37196
CW URBAN LLC	25531-00	IMPACT FEES	1596.00	08/01/2022	F22-162 R37197
LONGSON, BART & JULIETTE	25532-00	IMPACT FEES	1596.00	08/01/2022	F22-163 R37198
CW URBAN LLC	25533-00	IMPACT FEES	1596.00	08/01/2022	F22-164 R37199
CW URBAN LLC	25534-00	IMPACT FEES	1596.00	08/01/2022	F22-165 R37200

Continued next page

CW URBAN LLC	25535-00	IMPACT FEES	1596.00	08/01/2022	F22-166 R37201
CW URBAN LLC	25536-00	IMPACT FEES	1596.00	08/01/2022	F22-167 R37202
DAILEY DEVELOPMENT GROUP	19741-00	IMPACT FEES	1596.00	08/04/2022	F22-189 R37250
HOGAN & ASSOCIATES	10840-00	IMPACT FEES	4537.75	08/08/2022	F22-190 R37260
RITZ, KENDALL & BROOKLYN	10925-00	IMPACT FEES	1596.00	08/18/2022	F22-191 R37308
MAIN STREET INVESTMENTS LLC	32092-00	IMPACT FEES	1635.90	08/23/2022	*8/23/22 F22192 R37329 BUILD OUT
CHEVRON PIPE LINE COMPANY	03099-00	IMPACT FEES	1787.80	09/06/2022	9/2/22 IMPACT FEES OWED THROUGH BY LYNDON 8/24/22. SEE
KNOWLTON GENERAL	02160-00	IMPACT FEES	7980.00	09/12/2022	F22-195 R37394
BOUNTIFUL CITY	30327-00	IMPACT FEES	997.50	09/12/2022	F22-194 R37393
SKYLAND INVESTMENT &	19761-00	IMPACT FEES	15296.00	09/13/2022	F22-196 R37398
SKYLAND INVESTMENT &	19761-00	IMPACT FEES	1596.00	09/13/2022	F22-196 R37398
RENAISSANCE VENTURE #141402	30922-00	IMPACT FEES	1795.50	09/15/2022	F22-197 R37411 ENVISION RADIOLOGY
LUKER, LAUREN & MCKAY	16053-00	IMPACT FEES	1596.00	09/19/2022	F22-198 R37424
HAVENHILL HOMES LLC	19587-00	IMPACT FEES	1596.00	10/04/2022	F22-199 R37476
CHAMBERLAIN, ROBERT	03007-00	IMPACT FEES	2016.80	10/05/2022	*10/3/22 ADDITIONAL IMPACT FEES WITH BECKY.
SECOND ANNA STEVENSON	04444-00	IMPACT FEES	3511.20	10/07/2022	F22-200 R37490
BRANDON BODELL	17224-00	IMPACT FEES	1596.00	10/19/2022	F22-201 R37526
MOSER, ANDREW & JAMIE	17219-00	IMPACT FEES	1936.00	10/24/2022	F22203 R37543 W/\$400 FEE
ST OLAFS CATHOLIC CHURCH &	31411-00	IMPACT FEES	3231.90	11/01/2022	F22-205 R37580
BROOKS LLC	30756-00	IMPACT FEES	12768.00	11/08/2022	F22206 R37604 14 APTS
ADAMS, AIRETY & BRIAN	17269-00	IMPACT FEES	1596.00	11/21/2022	F22-208 R37644
JANISCH, ERIC & NIGEEN	25233-00	IMPACT FEES	1486.75	12/05/2022	F22210 R37691
ALLEN, JACE & KAMILLE	10594-00	IMPACT FEES	1377.50	12/08/2022	F22-211 R37700
SILVER SKY LLC	14186-00	IMPACT FEES	2033.00	12/19/2022	F22-213 R37738
SILVER SKY LLC	14187-00	IMPACT FEES	1596.00	12/19/2022	F22-214 R37739
SILVER SKY LLC	14188-00	IMPACT FEES	1596.00	12/19/2022	F22-215 R37740
SILVER SKY LLC	14189-00	IMPACT FEES	1596.00	12/19/2022	F22-216 R37741
SILVER SKY LLC	14190-00	IMPACT FEES	1596.00	12/19/2022	F22-217 R37742
UPDWELL HOMES LLC	14976-00	IMPACT FEES	1596.00	12/19/2022	F22-212 R37737
		Grand Total	353,562		

Source: District engineering and receivable records

Notes: Does not include \$50 inspection fee

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	72
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	75
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>	84
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>	94
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>	98

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

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

Schedule 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Assets										
Current & Other Assets	\$ 8,590,399	\$ 25,454,172	\$ 19,048,196	\$ 8,597,216	\$ 7,852,500	\$ 13,759,859	\$ 19,629,290	\$ 19,562,221	\$ 15,739,177	\$ 15,524,487
Other Restricted Assets	14,204,791	12,097,878	12,105,663	12,790,626	5,007,571	16,200,816			-	-
Capital	118,938,307	110,882,997	103,786,688	101,676,993	95,253,455	75,335,401	62,622,006	61,735,456	60,919,692	59,235,406
Total Assets	\$ 141,733,497	\$ 148,435,047	\$ 134,940,547	\$ 123,064,835	\$ 108,113,526	\$ 105,296,076	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869	\$ 74,759,893
Deferred Outflows of Resources	913,405	745,609	707,206	1,208,371	737,874	1,070,080	900,460	361,388	-	-
Total Assets & Deferred Outflows of Resources	\$ 142,646,902	\$ 149,180,656	\$ 135,647,753	\$ 124,273,206	\$ 108,851,400	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065	\$ 76,658,869	\$ 74,759,893
Liabilities										
Current Liabilities	\$ 3,811,384	\$ 2,247,166	\$ 2,247,166	\$ 2,374,684	\$ 720,046	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103
Non-Current Liabilities	37,093,368	31,317,639	31,317,639	33,979,354	22,271,761	22,868,453	1,948,777	1,343,615	403,555	381,180
Total Liabilities	\$ 40,904,752	\$ 33,564,805	\$ 33,564,805	\$ 36,354,038	\$ 22,991,807	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283
Deferred Inflows of Resources	3,425,698	1,444,073	707,262	38,377	568,209	207,617	128,199	127,979		
Total Liabilities & Deferred Inflows of Resources	\$ 44,330,450	\$ 35,008,878	\$ 34,272,067	\$ 36,392,415	\$ 23,560,016	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914	\$ 734,062	\$ 867,283
Net Position:										
Net Investment in Capital Assets	\$ 88,632,423	\$ 76,143,162	\$ 74,410,887	\$ 69,480,107	\$ 74,470,294	\$ 56,736,773	\$ 62,253,415	\$ 61,660,782	\$ 60,838,477	\$ 59,235,406
Restricted - Net Pension	3,035,089	-	-	-	-	-	-	-	-	-
Restricted - Capital Projects		10,068,063	10,075,848	10,725,278	2,942,223	14,184,170				
Restricted - Debt Service		2,427,529	2,029,815	2,016,206	2,065,348	2,016,645	18,298,741	18,123,369	15,086,330	14,657,204
Unrestricted	6,648,940	5,423,208	2,753,473	5,659,200	5,813,519	9,535,817				
Total Net Position	\$ 98,316,452	\$ 94,061,962	\$ 89,270,023	\$ 87,880,791	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610

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

Notes: SDSL is the agent entity for an interlocal agreement for the Wasatch Front Water Quality Council (WFWQC) 2012 Contracted with the EPA to operate a superfund site (OU2) in West Bountiful.
 GASB Statement No 68 (Pension Plans) implemented in 2015
 Issued 20-year taxable revenue bonds series 2017A to finance construction of the WRR facility (\$21,195,000)
 Issued 20-year revenue bonds series 2019 to finance South Treatment Plant rehabilitation (\$12,179,000).
 Issued 20-year revenue bonds, series 2021 to finance both Treatment Plants rehabilitation (\$10,000,000)

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

Schedule 2

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Revenues										
Sewer Service Fees	\$ 9,999,186	\$ 8,093,281	\$ 5,199,733	\$ 5,082,655	\$ 3,799,780	\$ 2,503,469	\$ 2,471,683	\$ 2,266,210	\$ 2,235,118	\$ 2,188,651
Sewer Special Treatment Fees	658,907	652,034	404,955	383,725	336,261	205,292	197,526	180,779	213,554	255,804
Inspection & Project Fees	63,660	85,118	68,800	113,135	93,980	34,276	33,730	20,470	40,200	52,460
Other	95,982	711,947	523,784	464,083	470,537	454,201	278,265	295,526	253,912	334,343
Total Operating Revenue	\$ 10,817,735	\$ 9,542,380	\$ 6,197,271	\$ 6,043,598	\$ 4,700,558	\$ 3,197,238	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258
Operating Expenses										
Operating & Maintenance	\$ 8,451,481	\$ 7,255,661	\$ 7,571,711	\$ 6,709,393	\$ 7,120,946	\$ 6,691,513	\$ 6,666,828	\$ 5,935,569	\$ 5,532,400	\$ 5,407,450
Depreciation	292,788	467,448	458,530	279,873	285,891	323,330	326,654	278,380	342,111	360,330
Total Operating Expenses	\$ 8,744,269	\$ 7,723,109	\$ 8,030,241	\$ 6,989,266	\$ 7,406,837	\$ 7,014,843	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511	\$ 5,767,780
Operating Income (Loss)	\$ 2,073,466	\$ 1,819,272	\$ (1,832,970)	\$ (945,668)	\$ (2,706,279)	\$ (3,817,605)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)	\$ (2,936,522)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 4,838,069	\$ 3,448,081	\$ 2,304,411	\$ 2,272,062	\$ 2,483,497	\$ 2,102,078	\$ 2,282,560	\$ 2,208,762	\$ 2,078,046	\$ 2,119,222
Impact Fees	353,562	778,076	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824
Miscellaneous Revenue	-	-	-	-	-	-	119,065	140,865	113,190	175,989
Intergovernmental Contributions	804,000	800,000	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000
Project Grant	-	-	-	-	-	-	-	-	-	69,418
Interest Income	273,562	50,435	186,855	184,810	306,480	302,862	178,050	94,186	75,657	81,659
Gain (Loss) on Disposal of Property	48,615	38,463	24,552	98,114	256,975	87,959	36,394	33,603	104,325	43,625
Interest & Bond Costs	(1,234,371)	(1,158,733)	(1,101,213)	(914,791)	-	(483,601)	-	-	-	-
Net Change in Fair Value of Investments	5,568	(8,438)	34,304	144,118	58,256	13,482	20,829	(14,326)	(2,552)	(6,336)
Equity in Earnings (Loss) WRR	(2,337,907)	(1,293,403)	(1,957,333)	(1,046,350)	(124,039)	(123,714)	-	-	-	-
Impairment Loss	(2,500,000)	-	-	-	-	-	-	-	-	-
Contributions to Other Governments	(163,918)	-	-	-	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 87,180	\$ 2,654,481	\$ 1,195,919	\$ 2,295,469	\$ 4,626,273	\$ 3,413,655	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867	\$ 4,063,401
Income (Loss) Before Contributions	\$ 2,160,646	\$ 4,473,752	\$ (637,051)	\$ 1,349,801	\$ 1,919,994	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879
Capital Contributions - Assets	2,093,844	318,187	2,026,283	1,239,606	897,985	2,325,199	650,236	266,362	1,327,057	2,871,442
Increase in Net Assets	\$ 4,254,490	\$ 4,791,939	\$ 1,389,232	\$ 2,589,407	\$ 2,817,979	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321
Total Net Position at Beginning of Year	94,061,962	89,270,023	87,880,791	85,291,384	82,473,405	80,552,156	79,784,151	75,924,807	73,892,610	69,820,595
Prior Period Adjustment	-	-	-	-	-	-	-	(776,173)	-	73,694
Total Net Position at End of Year	\$ 98,316,452	\$94,061,963	\$89,270,023	\$87,880,791	\$85,291,384	\$82,473,405	\$80,552,156	\$79,784,151	\$75,924,807	\$73,818,916

Source: District accounting and financial records, Davis County

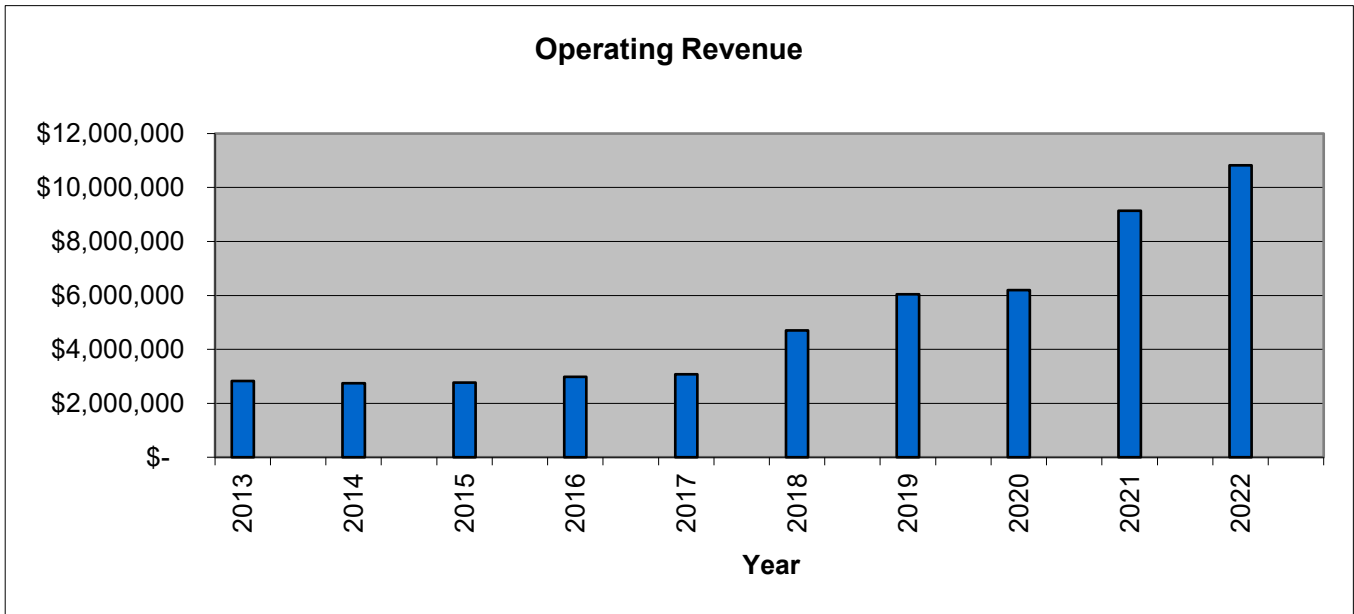
Notes: 2013 & 2015 prior period adjustment resulted from a journal entry error.
2015 GASB Statement No 68 (Pension Plan) implemented
2015 received impact fee from Holly Refinery for \$3,702,000
Issued 20-year taxable revenue bonds series 2017A to finance construction of WRR facility
Issued 20-year taxable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

SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
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
2020	\$ 5,199,731	\$ 473,755	\$ 523,785	\$ 6,197,271
2021	\$ 8,093,281	\$ 791,683	\$ 249,328	\$ 9,134,292
2022	\$ 9,999,186	\$ 722,567	\$ 95,982	\$ 10,817,735



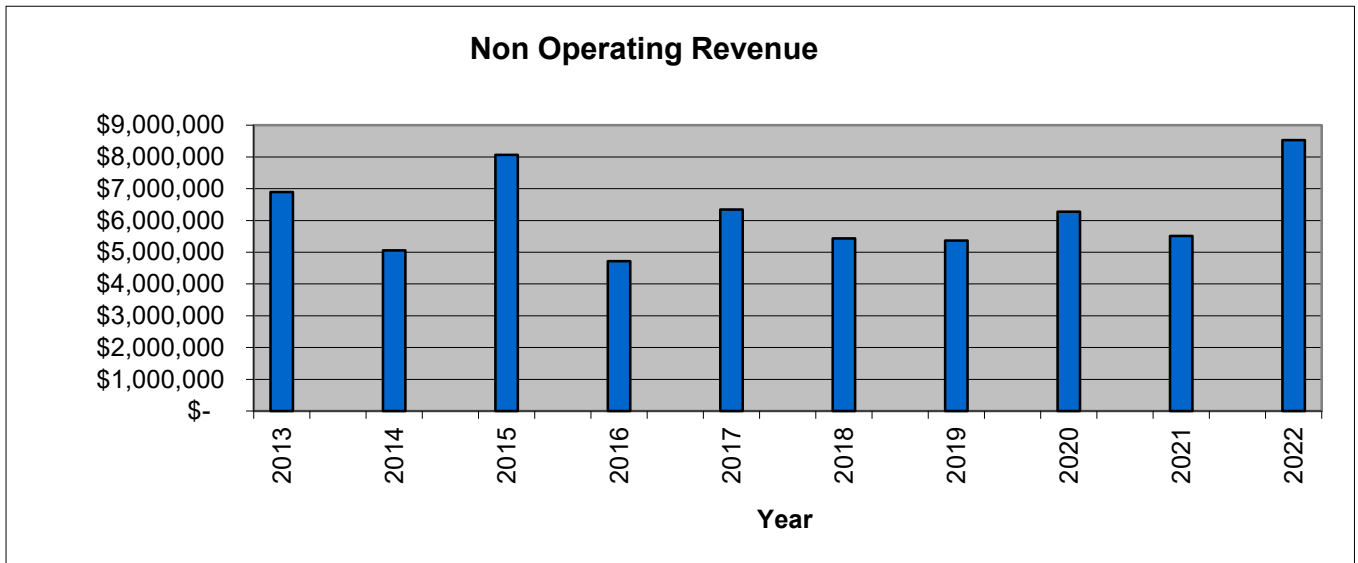
Source: District accounting records

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

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

Schedule 4

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
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	\$ 933,285	\$ 5,371,569
2020	\$ 2,304,411	\$ 2,026,283	\$ 903,643	\$ 186,855	\$ 58,856	\$ 800,700	\$ 6,280,748
2021	\$ 3,448,081	\$ 318,187	\$ 778,076	\$ 50,435	\$ 121,420	\$ 800,000	\$ 5,516,199
2022	\$ 4,838,069	\$ 2,093,844	\$ 353,562	\$ 273,562	\$ 163,918	\$ 804,000	\$ 8,526,955

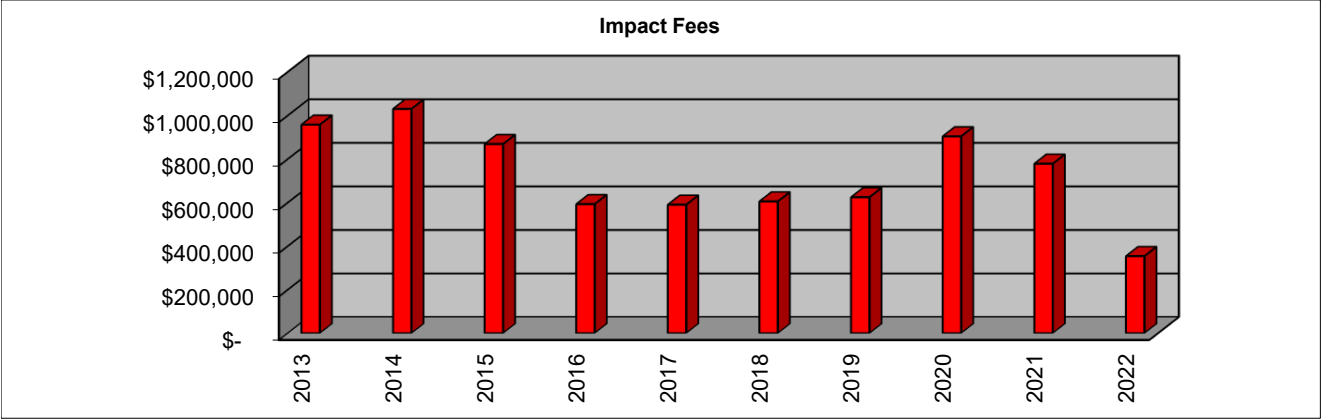
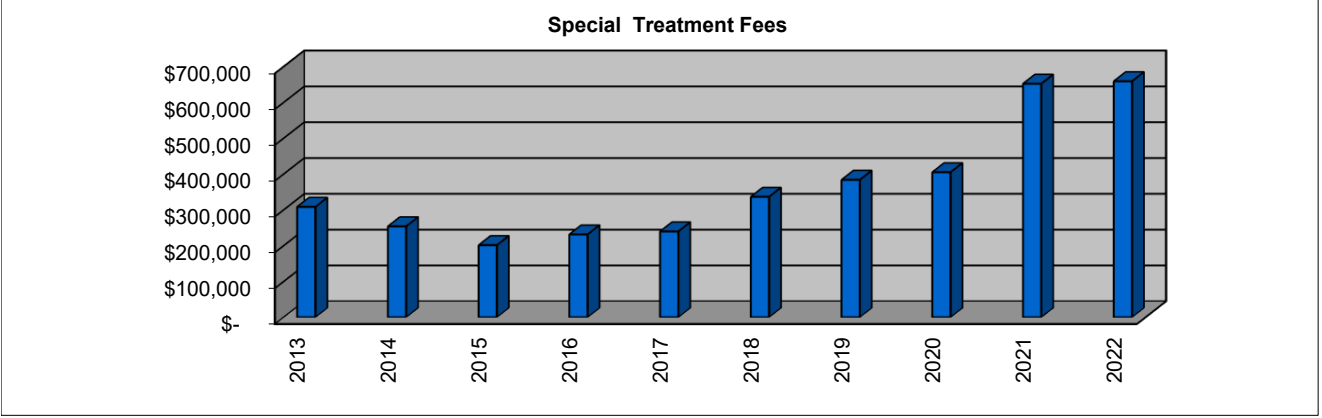
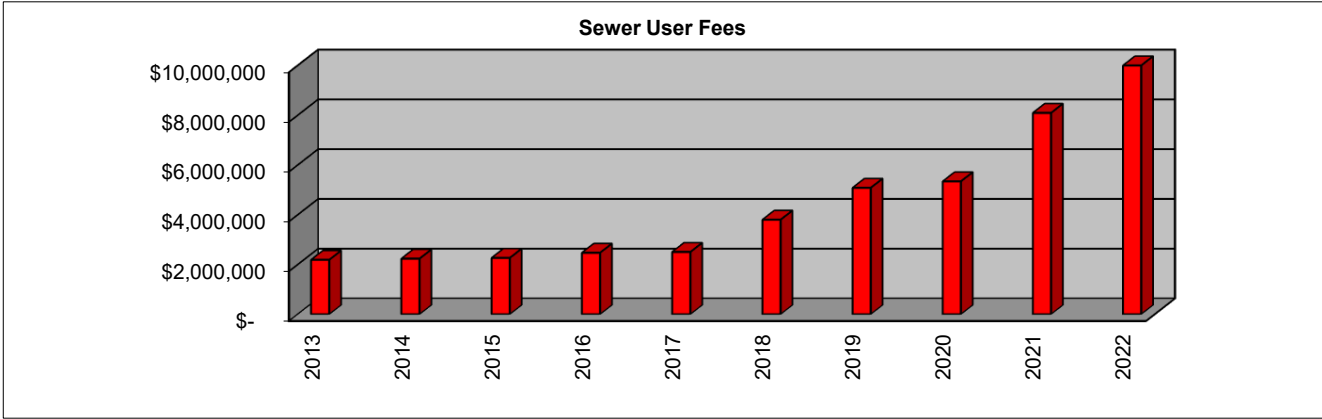
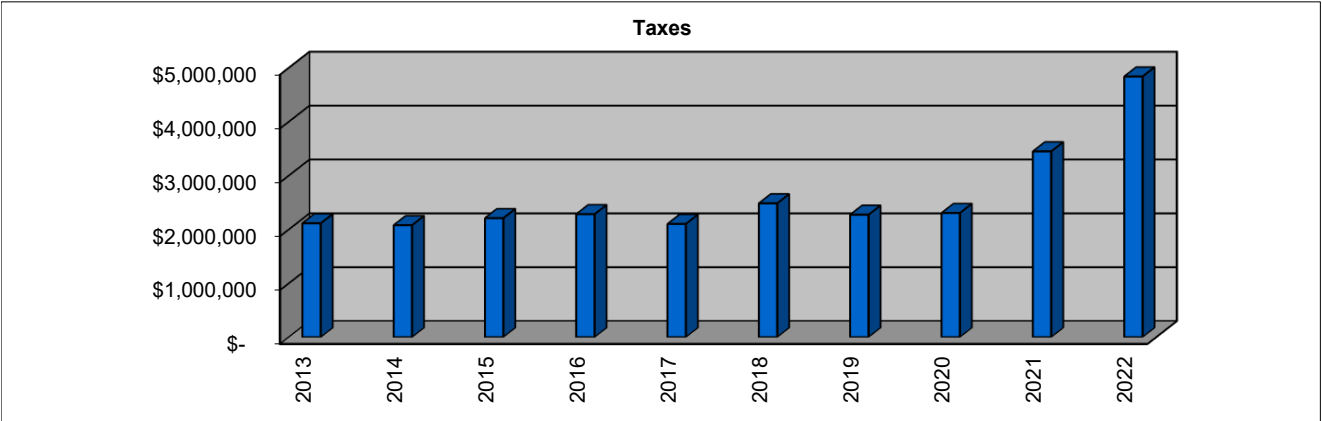


Source: District financial and accounting records

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

SOUTH DAVIS SEWER DISTRICT

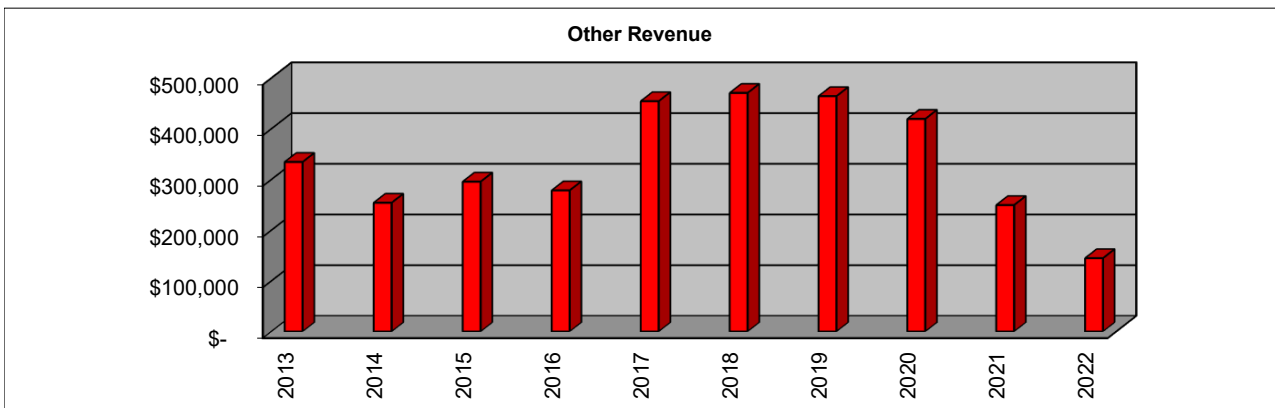
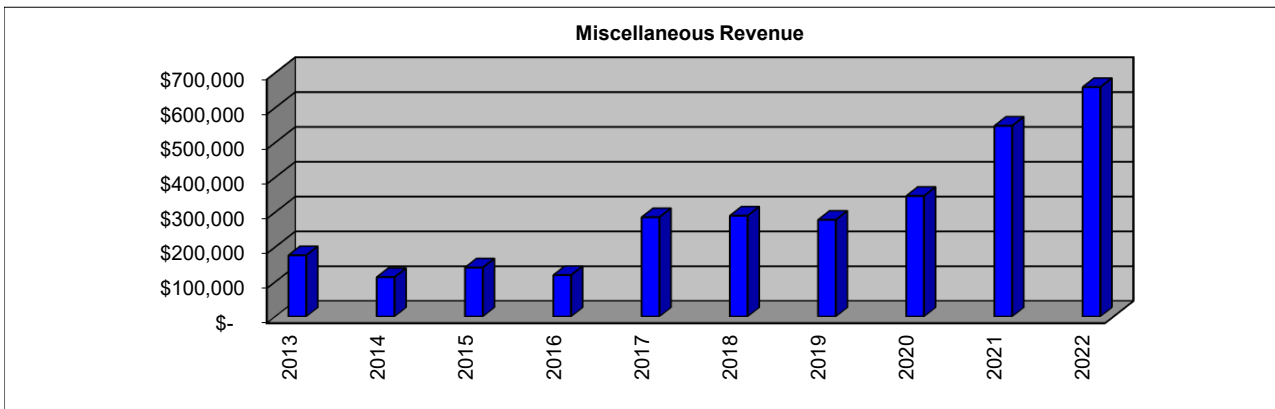
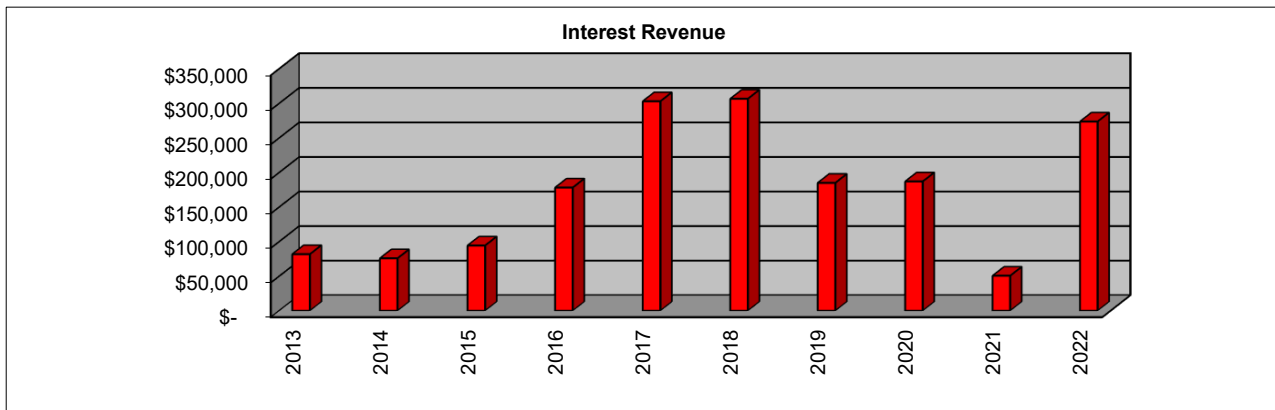
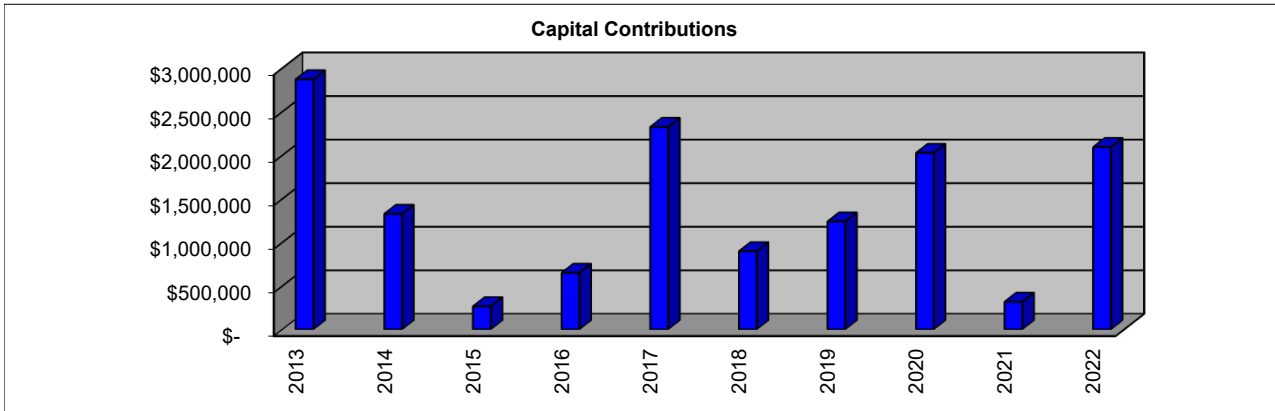
Revenues by Source (Unaudited)
Last Ten Fiscal Years



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

2021, \$241,102.84 was received from ALPRO for NOV fine

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	
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	\$ 2,218,428	95.9%	\$ 60,748	\$ 2,279,176	98.5%	
2020	\$ 2,343,647	\$ 2,245,767	95.8%	\$ 44,211	\$ 2,289,978	97.7%	
2021	\$ 3,287,121	\$ 3,151,084	95.9%	\$ 86,346	\$ 3,237,429	98.5%	
2022	\$ 4,379,851	\$ 4,205,357	96.0%	\$ 126,180	\$ 4,331,537	98.9%	

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
2013	\$60	\$48	\$1,596
2014	\$60	\$48	\$1,596
2015	\$60	\$48	\$1,596
2016	\$60	\$48	\$1,596
2017	\$60	\$48	\$1,596
2018	\$120	\$96	\$1,596
2019	\$120	\$96	\$1,596
2020	\$120	\$96	\$1,596
2021	\$186	\$150	\$1,596
2022	\$228	\$186	\$2,453

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

Notes: 2022 impact fees increased from \$1,596 to \$2,253
 2022 sewer service rates increased annually from \$186 to \$228

**SOUTH DAVIS SEWER DISTRICT
Major Wastewater Contributors
For the Year Ending December 31, 2022**

Schedule 9

<u>DISTRICT</u>	<u>DISCHARGE</u>
CAR WASH / DEALERS	68,231,000
LARGE RETAILSTORES	65,008,000
MEDICAL CENTERS / RETIREMENT HOMES	45,437,000
RESAURANTS	44,828,000
HOTELS	19,328,000
HEATHLH CLUBS / BOUNTIFUL REC. CENTER	18,919,000
DAVIS COUNTY CHURCHES	16,446,000
DAVIS COUNTY SCHOOLS	15,544,000
DRY CLEANERS / LAUNDRY	9,645,000
<u>BOUNTIFUL CITY</u>	
SOUTH DAVIS REC CENTER	13,729,000
LDS TEMPLE BOUNTIFUL UT	8,220,000
LAKEVIEW HOSPITAL	5,986,000
LIFE CARE CENTER OF BOUNTIFUL	5,086,000
QQ UTAH 3 LLC	5,023,000
QQ UTAH 3 LLC	4,933,000
COMMON CENTS CAR WASH	4,437,000
MISTER CAR WASH - CAPTURIS	4,337,000
G&E HEALTHCARE REIT RENAISSANCE LLC	4,308,000
AVALON CARE CENTER	4,003,000
WHITE COIN LAUNDRY MAT	3,731,000
KRO-706-444 SMITH FOOD KING	3,652,000
BLUE HARBER SR L. HERITAGE PLACE INC	3,311,000
EOS FITNESS FINESS ALLIANCE	3,207,000
SLIM OLS0N SERVICE STATION	3,139,000
BOUNTIFUL CITY PARK	3,121,000
SO. DAVIS COMM HOSPITAL	2,840,000
PARK PLACE INVESTMENT LLC	2,641,000
CREEKSIDE SENIOR LIVING @BNT	2,480,000
CTR PARTNERSHIP LP	2,456,000
MANDARIN RESTAURANT	2,341,000
CHURCH OF JESUS CHRIST	2,122,000
IRA TIC 2, LLC	2,028,000
<u>CENTERVILLE</u>	
AIR PRODUCTS MFG CORP*	13,800,328
QQ UTAH LLC	6,817,000
IN & OUT BURGER	2,023,000
LEGACY CROSSING / MEGA PLEX	1,935,000

Schedule 9 is continued on the next page.

Schedule 9**NORTH SALT LAKE**

BIG WEST OIL REFINERY*	227,706,870
INNOPHOS LLC	21,397,000
BIG WEST OIL Other Buildings	11,194,000
DURA LINE CORP	6,286,000
SUN PONY EXPRESS RV	5,480,000
RICK JENSEN CAR WASH	5,258,000
CHEVRON PRODUCTS COMPANY*	5,211,349
QQ UTAH 3 LLC- CAR WASH	5,154,000
ZERO MANUFACTURING INC	4,773,295
COTTONTREE INN	4,182,000
ADVANCED DRAINAGE SYSTEMS INC	3,917,000
ALBERTSON'S DISTRICT CENTER	3,208,000
JJ BAKD -VIP CAR WASH	3,032,000
PILOT TRAVEL PLAZA	2,855,000
AMERICAN SPECIALTY GLASS	2,808,000
STERICYCLE INC	2,428,894
HOLIDAY OIL CO	2,394,000
OVERLAND LEASING LLC	2,357,000
PIONEER STORAGE	2,232,000
CHURCH OF JESUS - REGINAL	2,149,000
ADVANCED METAL FINISHING INC	2,122,000
HERM HUGHES & SON	2,086,000
SUPERCHILL PROPERTIES LLC	2,031,000

WEST BOUNTIFUL

HOLLY FRONTIER WX REFINING*	389,619,530
COUNTY INN SUITES	2,450,000
CHUCK-A-RAMA BUFFET	2,143,000
COSTCO WAREHOUSE	1,885,000

WOODS CROSS

HF SINCLAIR*	389,619,530
SILVER EAGLE REFINING -WX INC *	61,437,641
INTERMOUNTAIN HEALTH CARE INC	25,482,151
BENCHMARK REGIONAL HOSPITAL	5,826,000
CAT-OFFICE/ COWBOY ASPHALT *	5,753,397
INTOWN SUITES MANAGEMENT INC	5,265,000
MURDOCK CHEVROLET INC	3,951,000
D WOOD HOTEL - MOTEL 6	3,883,000
MANUEL FINE FOODS	3,322,000
WESTERN EMULSION INC	2,333,000

Source: District accounting & billing records

SOUTH DAVIS SEWER DISTRICT
Principle Rate Payers
For the Year Ending December 31, 2022

Schedule 10

NAME	AMOUNT
HF SINCLAIR WX REFINING LLC*	\$920,252.15
BIG WEST OIL LLC*	\$265,594.76
SILVER EAGLE REFINING -WX INC*	\$77,586.31
INTERMOUNTAIN HEALTH CARE INC	\$30,497.07
INNOPHOS LLC	\$27,680.36
CC8 BOUNTIFUL PROPERTY LLC	\$26,676.00
LAKEVIEW HOSPITAL	\$20,512.50
SOUTH DAVIS RECREATION CENTER	\$19,901.82
CHEVRON PRODUCTS COMPANY*	\$17,904.65
AIR PRODUCTS MFG CORP	\$16,548.67
COWBOY ASPHALT TERMINAL LLC*	\$16,022.51
BIG WEST OIL LLC - Other Buildings	\$15,124.53
CREEKSIDE SENIOR LIVING	\$15,048.00
SUN COMMUNITIES	\$14,136.00
LEGACY HOUSE OF BOUNTIFUL LLC	\$13,908.00

Source: District's accounting and engineering records

Note: * EPA Categorical Industries

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

Schedule 11

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net Revenues										
Operating Revenues	\$ 10,817,735	\$ 9,442,270	\$ 6,197,271	\$ 6,043,598	\$ 4,576,519	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258
Operating Expenses (excluding depreciation)	(8,451,481)	(7,255,661)	(7,571,711)	(6,863,930)	(7,120,946)	(6,691,513)	(6,840,618)	(5,935,569)	(5,532,400)	(5,407,450)
General Property Tax	4,838,069	3,448,081	2,304,411	2,272,062	2,483,497	2,102,078	2,282,560	2,208,762	2,082,256	2,119,222
Impact Fees	353,562	778,076	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824
Intergovernmental Contributions	804,000	800,000	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000
Project Grant Revenue	-	-	-	-	-	-	-	-	-	69,418
Misc. Revenue	95,982	100,110	58,856	-	-	-	119,065	140,865	113,190	175,989
Interest Income	273,562	50,435	186,855	184,810	306,480	342,773	178,050	94,186	75,657	81,659
Total Net Revenues	\$ 8,731,429	\$ 7,363,311	\$ 2,880,025	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920
Net Revenues Excluding Impact Fees										
Net Revenues	\$ 8,731,429	\$ 7,363,311	\$ 2,880,025	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920
Impact Fees	(273,562)	(778,076)	(903,643)	(624,221)	(604,760)	(589,843)	(592,322)	(4,572,029)	(868,201)	(1,029,824)
Net Revenues Excluding Impact Fees	\$ 8,457,867	\$ 6,585,235	\$ 1,976,382	\$ 2,569,825	\$ 1,285,894	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487	\$ 420,096
Aggregate Debt Service*	\$ 2,427,529	\$ 2,427,529	\$ 1,895,842	\$ 1,637,763	\$ 837,244	\$ 451,461	\$ -	\$ -	\$ -	\$ -
Ratio of Net Revenues to Aggregate Debt Service	3.60	3.03	1.52	1.95	2.26	0.76				
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	3.48	2.71	1.04	1.57	1.54	(0.55)				
Minimum Ratio	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25

Source: District accounting and financial records.

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

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

Schedule 12

Year	Revenue Bonds	Population	Debt Per Capita	Personal Income	Debt as a Percentage of Personal Income	Estimated Value of Taxable Property	Debt as a Percentage of Est. Actual Value of Taxable Prop.
2013		94,257		\$ 12,359,390,968		\$ 5,380,923,009	
2014		92,794		\$ 12,782,158,840		\$ 5,860,299,292	
2015		90,719		\$ 13,441,720,000		\$ 6,065,092,075	
2016		97,252		\$ 14,149,554,259		\$ 6,573,097,642	
2017	\$ 20,748,437	98,495	\$ 211	\$ 15,332,877,522	0.135%	\$ 7,504,784,496	0.276%
2018	\$ 20,783,161	98,806	\$ 210	\$ 16,279,387,915	0.128%	\$ 8,181,058,833	0.254%
2019	\$ 32,286,003	99,283	\$ 325	\$ 17,213,456,463	0.188%	\$ 8,685,244,151	0.372%
2020	\$ 31,492,910	103,000	\$ 306	\$ 18,464,452,500	0.171%	\$ 10,312,949,442	0.305%
2021	\$ 40,058,320	101,880	\$ 393	\$ 18,805,631,508	0.213%	\$ 11,531,394,043	0.347%
2022	\$ 38,253,967	105,225	\$ 364	n/a	n/a	\$ 14,373,662,696	0.266%

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

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

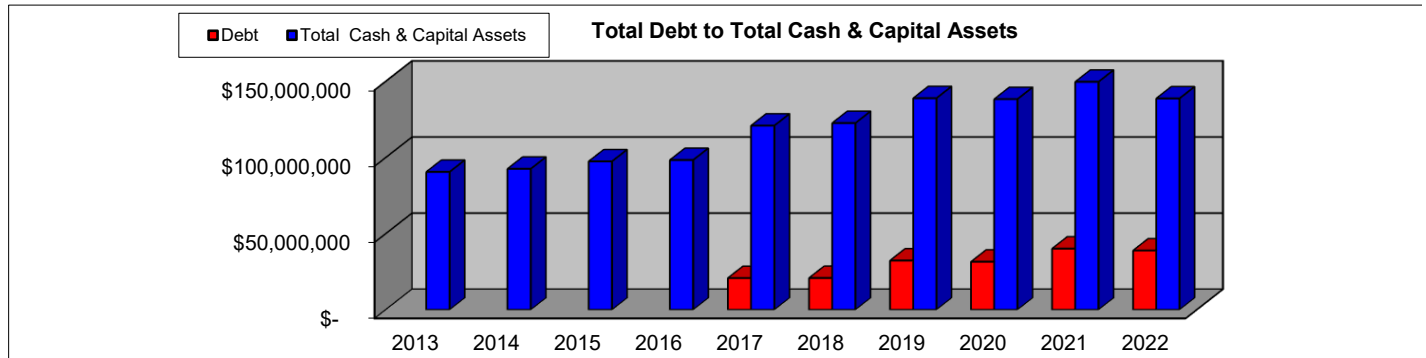
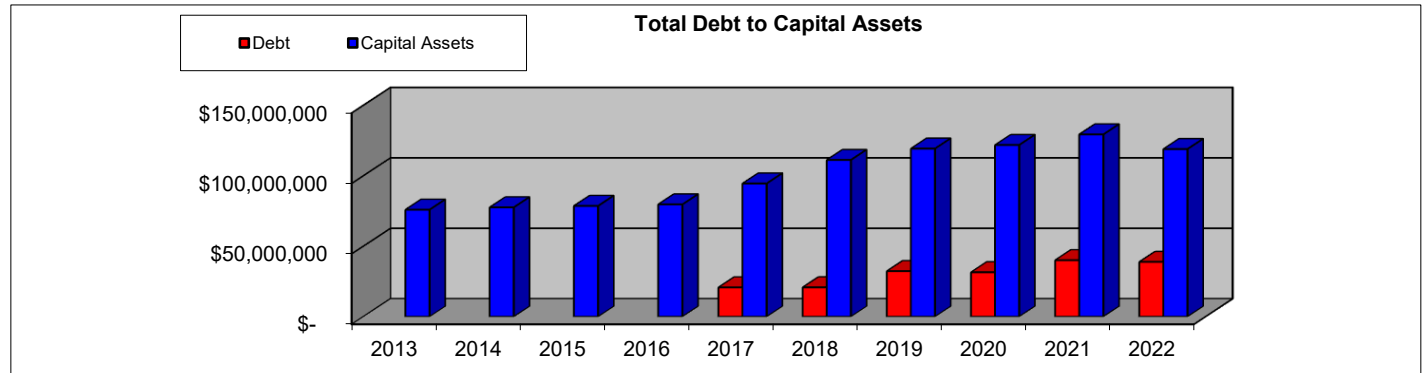
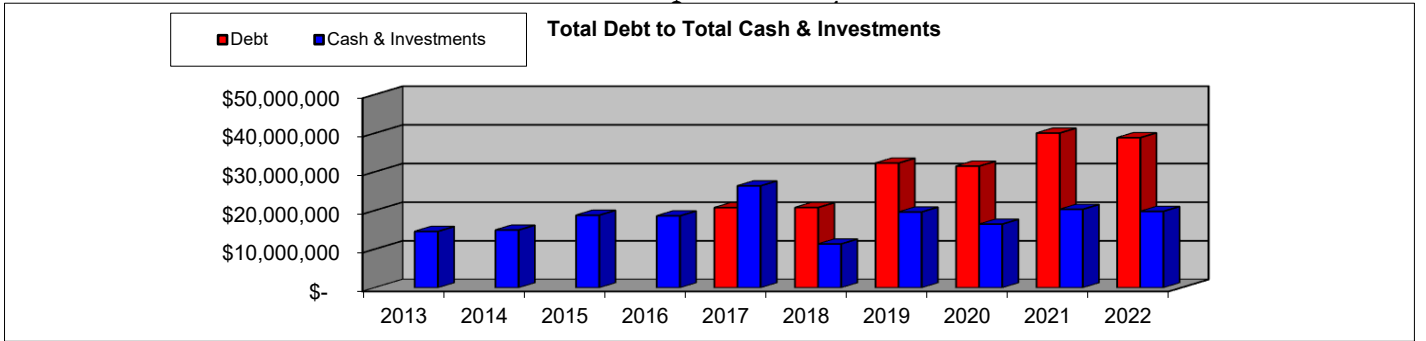
SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

Schedule 13

Last Ten Fiscal Years

Year	Total Debt	Cash & Investments	% of Debt : Cash	² Total Capital Assets	% of Debt : Asset	Total Cash & Capital Assets	% of Debt to Cash & Assets
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	\$ 32,286,003	\$ 19,629,236	164.48%	\$ 119,271,184	27.07%	\$ 138,900,420	23.24%
2020	\$ 31,492,910	\$ 16,483,288	191.06%	\$ 121,814,856	25.85%	\$ 138,298,144	22.77%
2021	\$ 40,058,320	\$ 20,315,086	197.19%	\$ 129,333,579	30.97%	\$ 149,648,665	26.77%
2022	\$ 38,853,967	\$ 19,787,702	196.35%	\$ 118,938,307	32.67%	\$ 138,726,009	28.01%



Source: District accounting records.

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

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

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

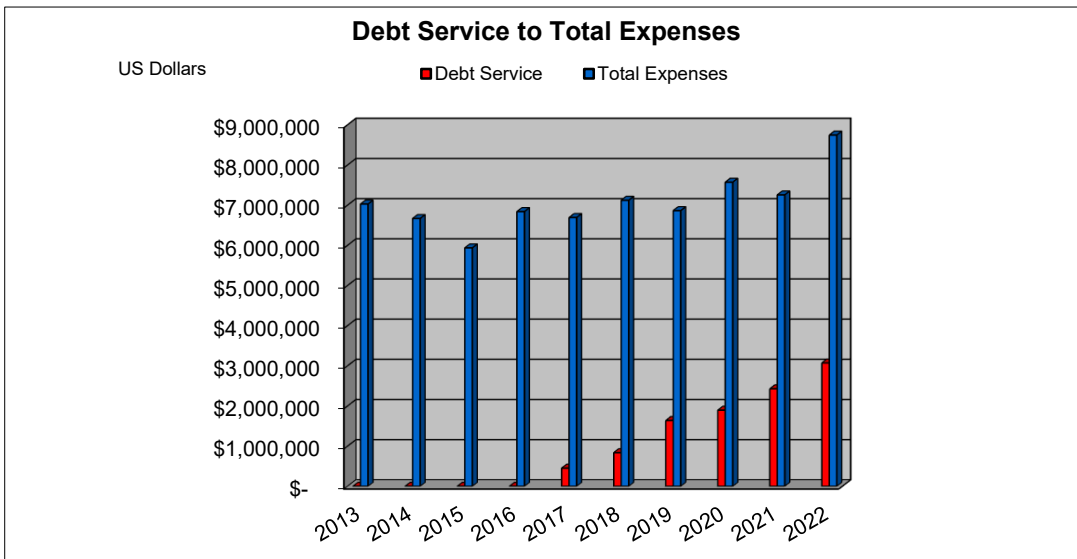
Capital assets are at historical cost (excluding depreciation).

Revenue bonds are net of unamortized discount

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

Schedule 14

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
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%
2020	\$ 1,895,842	\$ 7,571,711	25.04%
2021	\$ 2,427,529	\$ 7,255,661	33.46%
2022	\$ 3,070,371	\$ 8,744,269	35.11%



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

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

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

Schedule 15

Year	Principle	Interest	Total	Population	Per Capita
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
2020	\$ 825,000	\$ 1,070,843	\$ 1,895,843	103,000	\$ 18.41
2021	\$ 1,380,000	\$ 1,047,529	\$ 2,427,529	104,800	\$ 23.16
2022	\$ 1,836,000	\$ 1,234,371	\$ 3,070,371	105,225	\$ 29.18

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

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

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>Unemployment Rate</u>	<u>Total Public School Enrollment</u>
2013	322,094	5,720	1,612	\$ 38,372.00	\$ 12,359,390,968	4.20%	68,571
2014	329,692	5,772	1,684	\$ 38,770.00	\$ 12,782,158,840	3.60%	69,139
2015	336,043	5,870	1,710	\$ 40,000.00	\$ 13,441,720,000	3.30%	69,879
2016	342,281	5,687	1,762	\$ 41,339.00	\$ 14,149,554,259	3.30%	71,021
2017	347,637	5,473	1,826	\$ 44,106.00	\$ 15,332,877,522	3.10%	71,908
2018	351,713	5,282	1,892	\$ 46,286.00	\$ 16,279,387,915	2.90%	72,264
2019	355,481	5,196	1,840	\$ 48,423.00	\$ 17,213,456,463	2.40%	72,897
2020	359,925	5,075	2,201	\$ 51,300.00	\$ 18,464,152,500	4.10%	70,643
2021	362,679	4,960	2,339	\$ 51,852.00	\$ 18,805,631,508	2.20%	72,540
2022	367,285	2,858	1,982	n/a	n/a	2.40%	71,564

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: Bountiful City, Centerville City, W Bountiful City, Woods Cross City, & North Salt Lake City. 2022 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 (2022) and Nine Years Ago

Schedule 17

Employer	2022			2013			Percentage of Total County Employment 134,583
	Employees	Rank	Percentage of Total County Employment 175,929	Employees	Rank		
Hill Air Force Base	10,000 - 14,999	1	8.5%	10,000 - 14,999	1		
Davis County School District	7,000 - 9,999	2	5.7%	7,000 - 9,999	2		7.4%
Wal-mart Associates	3,000 - 3,999	3	2.3%	1,000 - 1,999	3		1.5%
Kroger Group Cooperative	2,000 - 2,999	4	1.7%	1,000 - 1,999	4		1.5%
Lifetime Products	2,000 - 2,999	5	1.7%	1,000 - 1,999	5		1.5%
ATK Space Systems	1,000 - 1,999	6	1.1%	1,000 - 1,999	6		1.5%
Progrexion Teleservices	1,000 - 1,999	7	1.1%	1,000 - 1,999	7		1.5%
Lagoon Inc.	1,000 - 1,999	8	1.1%	1,000 - 1,999	8		1.5%
ATK Launch Systems	1,000 - 1,999	9	1.1%	1,000 - 1,999	9		1.5%
Northrop Grumman	1,000 - 1,999	10	1.1%	1,000 - 1,999			n/a
Utility Trailer & Manufacturing	n/a - n/a		n/a	500 - 999	10		0.7%
Totals	19,000 - 29,991		16.9%	15,500 - 26,990			18.6%

Source: Utah Department of Workforce Services

Note: Number of employees is based upon an annual average.
 Smith's Food and Drug / Distribution Center changed to Kroger Group Cooperative

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

Schedule 18

Fiscal year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
County direct rates										
County Basic Rate	0.000797	0.001004	0.001110	0.001143	0.001209	0.001924	0.001703	0.001795	0.001797	0.001935
General Obligation Debt Service	0.000000	0.000063	0.000071	0.000075	0.000062	0.000069	0.000076	0.000110	0.000114	0.000126
County Assess & Collect	0.000129	0.000161	0.000177	0.000182	0.000193	0.000207	0.000224	0.000236	0.000237	0.000112
State Assess & Collect	0.000015	0.000012	0.000012	0.000009	0.000009	0.000010	0.000011	0.000012	0.000013	0.000158
County Library	0.000229	0.000289	0.000319	0.000329	0.000349	0.000376	0.000342	0.000361	0.000361	0.000389
Flood Control	0.000143	0.000180	0.000199	0.000205	0.000217	n/a	n/a	n/a	n/a	n/a
Health	0.000149	0.000188	0.000208	0.000214	0.000226	n/a	n/a	n/a	n/a	n/a
Paramedic	0.000000	0.000000	0.000119	0.000123	0.000130	n/a	n/a	n/a	n/a	n/a
Total direct rate	0.001462	0.001897	0.002215	0.002280	0.002395	0.002586	0.002356	0.002514	0.002522	0.002720
County school districts' rates										
Davis County School District	0.006424	0.007642	0.007670	0.007808	0.007701	0.007575	0.008125	0.008555	0.008259	0.00871
City Rates										
Bountiful	0.000889	0.000967	0.000789	0.000814	0.000880	0.000832	0.000890	0.000957	0.000946	0.001063
Centerville	0.001247	0.001197	0.001158	0.001192	0.001275	0.001354	0.001116	0.001088	0.001072	0.001141
Clearfield	0.001307	0.001437	0.001437	0.001437	0.001607	0.001745	0.001664	0.001800	0.001800	0.001800
Clinton	0.001491	0.001936	0.001608	0.001660	0.001794	0.001925	0.002082	0.002198	0.002253	0.001831
Farmington	0.001182	0.001607	0.001491	0.001640	0.001765	0.001942	0.002132	0.002226	0.002127	0.002290
Fruit Heights	0.001600	0.001950	0.001950	0.001887	0.002027	0.002117	0.002295	0.002369	0.001863	0.002023
Kaysville	0.001281	0.001663	0.001589	0.001589	0.001589	0.001589	0.001717	0.001782	0.001826	0.000999
Layton	0.001263	0.001593	0.001645	0.001666	0.001521	0.001635	0.001842	0.001928	0.001896	0.002046
North Salt Lake	0.000934	0.001141	0.001233	0.001284	0.001355	0.001450	0.001475	0.001517	0.001541	0.001613
South Weber	0.001273	0.001522	0.001403	0.001441	0.000769	0.000815	0.000881	0.000941	0.000954	0.000993
Special Service Area	0.000614	0.000761	0.000901	0.001037	0.000913	0.000962	0.000980	0.000992	0.001003	0.000968
Sunset	0.001255	0.000858	0.000981	0.001587	0.001766	0.001950	0.002121	0.002290	0.002258	0.002357
Syracuse	0.001689	0.001653	0.001593	0.001512	0.001512	0.001573	0.001573	0.001639	0.001659	0.001787
West Bountiful	0.001199	0.001301	0.001363	0.001315	0.001449	0.001566	0.001684	0.001806	0.001788	0.001946
West Point	0.000699	0.000831	0.000910	0.000917	0.000917	0.000945	0.000984	0.001036	0.001036	0.001111
Woods Cross	0.001156	0.000811	0.000867	0.000891	0.000935	0.001003	0.000848	0.000927	0.000913	0.001007
Overlapping Rates										
Weber Basin Water	0.000167	0.000132	0.000146	0.000153	0.000164	0.000174	0.000187	0.000196	0.000199	0.000210
Mosquito Abatement	0.000096	0.000099	0.000110	0.000112	0.000119	0.000107	0.000116	0.000122	0.000124	0.000103
North Davis Sewer	0.000468	0.000682	0.000769	0.000800	0.000869	0.000949	0.001025	0.001025	0.001025	0.001025
Bountiful Irrigation 1	0.000061	0.000078	0.000086	0.000089	0.000096	0.000103	0.000110	0.000120	0.000120	0.000128
South Davis Water	0.000125	0.000159	0.000183	0.000189	0.000202	0.000214	0.000234	0.000250	0.000246	0.000264
Central Davis Sewer	0.000115	0.000147	0.000161	0.000167	0.000178	0.000191	0.000208	0.000216	0.000217	0.000237
South Davis Sewer	0.000306	0.000296	0.000226	0.000234	0.000245	0.000264	0.000287	0.000303	0.000301	0.000324
Benchland Water	0.000219	0.000280	0.000315	0.000322	0.000346	0.000375	0.000411	0.000433	0.000430	0.000475
Hooper Water	0.000196	0.000246	0.000277	0.000294	0.000312	0.000345	0.000369	0.000387	0.000415	0.000446
Central Weber Sewer	0.000482	0.000503	0.000564	0.000607	0.000649	0.000709	0.000758	0.000802	0.000838	0.000866
South Davis Recreation	0.000153	0.000210	0.000218	0.000242	0.000257	0.000279	0.000306	0.000334	0.000338	0.000374
North Davis Fire	0.001235	0.001540	0.001175	0.001108	0.001205	0.001182	0.001182	0.001301	0.001379	0.001444
South Davis Metro Fire	0.000475	0.000585	0.000317	0.000328	0.000343	0.000368	0.000010	n/a	n/a	n/a

Source: Utah State Tax Commission, Davis County

SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2022

Schedule 19

1	Bountiful Irrigation District	0.000061
2	Davis County Mosquito Abatement	0.000096
3	Central Davis Sewer District	0.000115
3	South Davis Water District	0.000125
4	Davis County Assess & Collect	0.000129
5	South Davis Recreation Center	0.000153
5	Weber Basin Water	0.000167
6	Hooper Water Improvement	0.000196
7	Benchland Water District	0.000219
7	Davis County Library	0.000229
8	South Davis Sewer District	0.000306
9	North Davis Sewer District	0.000468
9	Central Weber Sewer District	0.000482
10	West Point City	0.000699
11	Bountiful City	0.000889
11	North Salt Lake City	0.000934
12	Davis County	0.001089
13	Woods Cross City	0.001156
13	Farmington City	0.001182
14	West Bountiful City	0.001199
15	North Davis Fire District	0.001235
15	Centerville City	0.001247
16	Sunset City	0.001255
17	Layton City	0.001263
17	Kaysville City	0.001281
18	Clearfield City	0.001307
19	Clinton City	0.001491
19	Fruit Heights City	0.001600
20	Syracuse City	0.001689
21	State Basic / Charter School Levy	0.001717
22	Davis School District	0.004707

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

SOUTH DAVIS SEWER DISTRICT
Principle Property Tax Payers (Unaudited)
For the Current Year 2022 and Nine Years Prior

Schedule 20

Taxpayers	2022			2013		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value \$41,308,975,067	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value \$16,453,943,817
Chevron U.S. Inc, Chevron Pipeline & C	\$ 838,397,648	1	2.03%	\$ 439,606,362	1	2.67%
Woods Cross Refining Comp - LLC	\$ 312,920,124	2	0.76%	\$ 199,266,649	3	1.21%
Freeport Center Associates	\$ 283,160,135	3	0.69%	\$ 189,443,140	4	1.15%
Pacificorp	\$ 263,021,357	4	0.64%	\$ 204,294,170	2	1.24%
Questar Gas	\$ 214,747,638	5	0.52%	\$ 81,028,343	7	0.49%
Big West Oil LLC	\$ 208,328,190	6	0.50%	\$ 78,909,882	8	0.48%
Station Park Centercal LLC	\$ 187,844,809	7	0.45%	n/a	n/a	n/a
Woods Cross Operating - LLC	\$ 151,371,605	8	0.37%	n/a	n/a	n/a
Lifetime Products	\$ 145,727,203	9	0.35%	n/a	n/a	n/a
Union Pacific Railroad Co.	\$ 110,676,689	10	0.27%	n/a	n/a	n/a
ATK Aerospace	n/a	n/a	n/a	\$ 112,953,186	5	0.69%
Layton Hills Mall CMBS LLC	n/a	n/a	n/a	\$ 103,831,259	6	0.63%
Wal-Mart Real Estate Business Trust	n/a	n/a	n/a	\$ 74,925,239	9	0.46%
Smith's Food King Properties	n/a	n/a	n/a	\$ 73,605,994	10	0.45%
Totals	\$ 2,716,195,398		6.58%	\$1,401,910,642		6.80%

Source: Davis County Clerk/Auditor's Office.

Notes: 2022 Certified Tax Rate = 0.000310. Year end property values for the District were:
Real Property \$9,463,649,711, Personal Property, \$1,802,454,705 & Centrally Assessed \$273,683,950
Total adjusted 2022 property values were \$14,373,662,696

SOUTH DAVIS SEWER DISTRICT
Operator Certification Program (Unaudited)
For the Year Ending December 31, 2022

Schedule 21

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

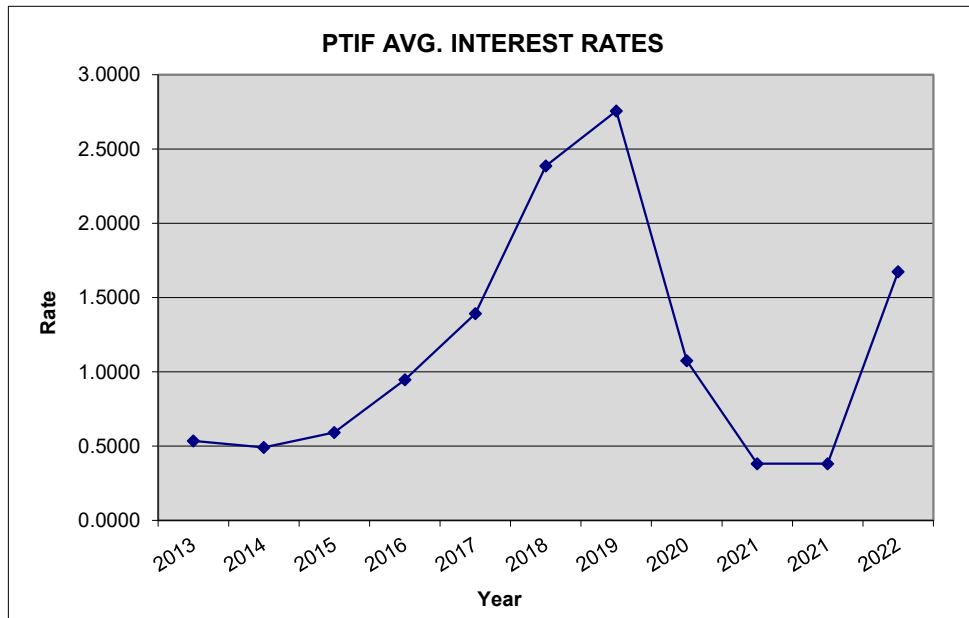
Source: District employment records and State of Utah, Division of Water Quality records.

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

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

Schedule 22

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021	2022
Jan	0.6499	0.5074	0.5073	0.7460	1.1806	1.7291	2.9109	2.2007	0.4678	0.4678	0.3847
Feb	0.6120	0.5070	0.5184	0.7796	1.2007	1.8649	2.9778	2.1034	0.4483	0.4483	0.4676
Mar	0.5739	0.5023	0.5294	0.8224	1.2217	2.0302	2.9971	1.6624	0.4252	0.4252	0.5210
Apr	0.5295	0.4992	0.5475	0.8517	1.2651	2.2008	2.9759	1.4406	0.4217	0.4217	0.6139
May	0.4902	0.4879	0.5559	0.8997	1.2858	2.3517	2.8984	1.1939	0.4029	0.4029	0.7922
Jun	0.5046	0.4799	0.5610	0.9093	1.3431	2.5007	2.8983	0.9480	0.3675	0.3675	1.1090
Jul	0.5115	0.4693	0.5791	0.9429	1.4084	2.5801	2.8663	0.7425	0.3602	0.3602	1.6200
Aug	0.4962	0.4699	0.6098	0.9968	1.4782	2.5836	2.7262	0.5534	0.3283	0.3283	2.1828
Sep	0.5126	0.4767	0.6368	1.0597	1.5280	2.5979	2.6014	0.5300	0.3187	0.3187	2.4449
Oct	0.5143	0.4850	0.6593	1.0982	1.5621	2.6486	2.5360	0.5190	0.3313	0.3313	2.8222
Nov	0.5150	0.5071	0.6824	1.1231	1.6053	2.7387	2.3976	0.5186	0.3415	0.3415	3.3227
Dec	0.5103	0.5077	0.7244	1.1457	1.6340	2.8036	2.2849	0.4895	0.3698	0.3698	3.8006
Avg	0.5350	0.4916	0.5926	0.9479	1.3928	2.3858	2.7559	1.0752	0.3819	0.3819	1.6735



Source: Utah State Treasurer's Office
 Notes: Interest calculated based on the 365 day rate

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

Schedule 23

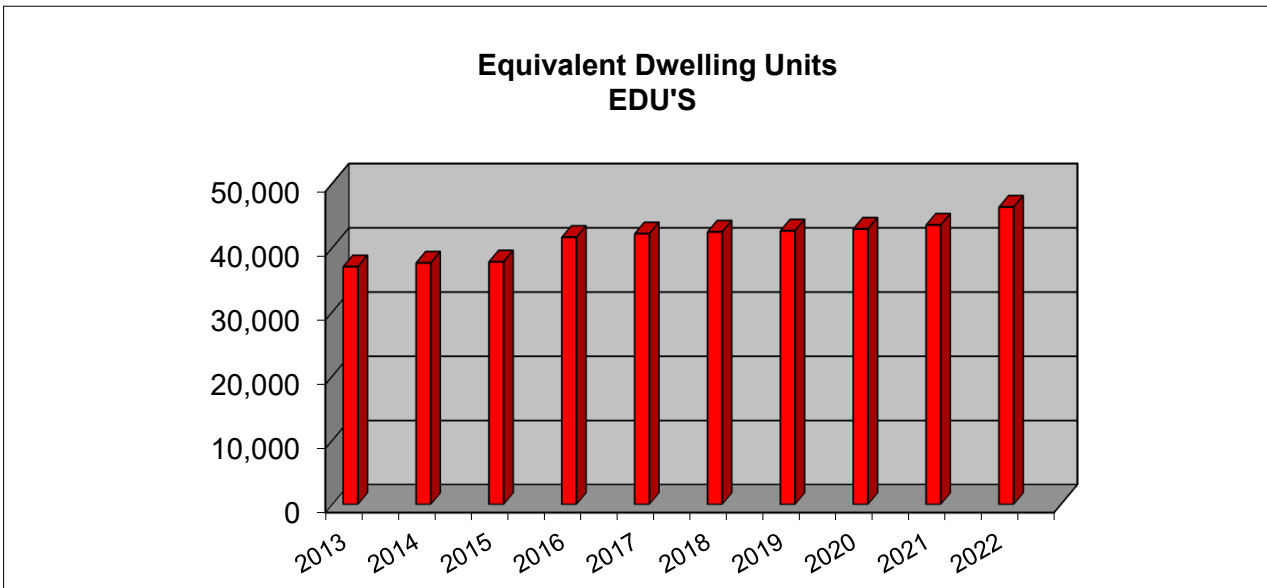
Fiscal Year	Function/Department							Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Research	Resource Recovery	
2013	7	8	2	6	1	1		25
2014	7	8	2	6	1	1		25
2015	7	8	2	6	1	1		25
2016	7	8	2	6	1	1		25
2017	9	8	2	6	1	1		27
2018	7	7	2	7	1	1		25
2019	8	7	4	6	1	1	8	35
2020	8	8	4	7	1	1	8	37
2021	10	9	4	9	1	1	7	41
2022	7	8	4	8	1	1	8	37
Average	7.7	7.9	2.8	6.7	1	1	3.1	30.2

Source: District employment records

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

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

2013	37,005
2014	37,587
2015	37,762
2016	41,589
2017	42,136
2018	42,410
2019	42,588
2020	42,878
2021	43,491
2022	46,296



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 102,200 gallons of water allowed annually.
 The District has approximately 28,233 customer accounts as of 12/31/22

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Summary (Unaudited)
For the Year Ended December 31, 2022

Schedule 25

HISTORICAL COST							ACCUMULATED DEPRECIATION							
Acct #	Description	Balances 12/31/21	Additions	Disposals	Transfers	Adjust	Balances 12/31/22	Acct #	Balances 12/31/21	Depreciation Expense	Asset Deposal	Transfers	Balances 12/31/22	
182000	0.01 Building & Facilities	\$ 2,710,250					\$ 2,710,250	182100	0.01	\$ (104,814)			\$ (104,814)	
182000	0.02 Building & Facilities	21,597,044					21,597,044	182100	0.02	(8,611,803)	\$ (83,358)		(8,695,161)	
182000	0.11 Building & Facilities	22,231,175					22,231,175	182100	0.11					
184000	0.02 Improvements Other Than Bldgs	28,893					28,893	184000	0.02					
184000	0.11 Improvements Other Than Bldgs	6,537,517					6,537,517	186100	0.01	\$ (947)			(947)	
188000	0.04 Construction in Progress	6,972,119	\$ 5,430,817				12,402,936	188000	0.04					
189000	0.01 Outfall/Sewer Lines	46,769,348	2,093,844				48,863,192	189110	0.01	(3,666,415)			(3,666,415)	
189000	0.02 Outfall/Sewer Lines	5,748,121					5,748,121	189110	0.02	(1,290,560)			(1,290,560)	
189000	0.04 Outfall/Sewer Lines	-						189110	0.04					
189200	0.01 Operation & Sup Equip.	719,472	99,670				819,142	189210	0.01	(362,115)	\$ (28,023)		(390,138)	
189200	0.02 Operation & Sup Equip.	567,672	140,400				708,072	189210	0.02	(247,654)	\$ (153,174)	\$ 10,000	(390,828)	
189200	0.11 Operation & Sup Equip.	6,985,855					6,985,855	189210	0.11	(184,533)			(184,533)	
189300	0.01 Tools & Test Equip.	440,120					440,120	189310	0.01	(417,216)	\$ (3,423)	\$ 22,780	(397,859)	
189300	0.02 Tools & Test Equip.	387,698					387,698	189310	0.02	(246,822)	\$ (1,570)		(248,391)	
189300	0.03 Tools & Test Equip.	108,736					108,736	189310	0.03	(108,736)			(108,736)	
189300	0.05 Tools & Test Equip.	247,531					247,531	189310	0.05	(203,349)			(203,349)	
189400	0.01 Mobile Equipment	2,226,709	308,861				2,535,570	189410	0.01	(1,271,798)	\$ (77,909)		(1,349,707)	
189400	0.02 Mobile Equipment	1,191,126	274,506				1,465,632	189410	0.02	(694,109)	\$ (43,587)	\$ 38,022	(699,674)	
189400	0.03 Mobile Equipment	22,437					22,437	189410	0.03	(22,437)			(22,437)	
189500	0.01 Office Furn. & Equip.	388,211					388,211	189510	0.01	(278,864)	\$ (21,581)		(300,445)	
189500	0.02 Office Furn. & Equip.	378,130					378,130	189510	0.02	(312,095)	\$ (8,843)		(320,938)	
189500	0.03 Office Furn. & Equip.	4,850					4,850	189510	0.03	(4,850)			(4,850)	
189600	0.01 Land & Right-Of-Ways	421,633					421,633							
189600	0.02 Land & Right-Of-Ways	2,648,935					2,648,935							
		\$ 129,333,579	\$ 8,348,098	\$ -	\$ -	\$ -	\$ 137,681,677			\$ (18,028,168)	\$ (422,414)	\$ 70,802	\$ -	\$ (18,379,780)

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets **Additions** (Unaudited)
For the Year Ended December 31, 2022

Schedule 26

Asset Description	Tag#	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
CONSTRUCTION WORK IN PROGRESS (188000)						
South Plant Rehab 906	5129				\$ 4,958,492	\$ 4,958,492
South Plant Rehab 906	5129				218,128	218,128
North Plant Rehab 905	5130				254,198	254,198
SUBTOTAL		\$ -	\$ -	\$ -	\$ 5,430,817	\$ 5,430,817
Salamon Trunkline	6079	\$ 9,496				
Deeded Subvisions	6080	2,084,348				\$ 2,084,348
SUBTOTAL		\$ 2,093,844	\$ -	\$ -	\$ -	\$ 2,084,348
OPERATION & SUPPORT EQUIPMENT (189200)						
SpeedyLight UV LED system	5940	\$ 99,670				\$ 99,670
Horizontal End Suctions Chopper Pump	2074		\$ 86,150			86,150
150W Cummings Portable Generator	2072		54,250			54,250
SUBTOTAL		\$ 99,670	\$ 140,400	\$ -	\$ -	\$ 240,070
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2021 GapVax Jet Washer Model 1510	3579	\$ 308,861				\$ 308,861
2012 60' Snorel Boom Lift	3585		\$ 38,000			38,000
1989 Tadano 33 Ton Crane	3583		31,056			31,056
2013 Volvo Dump Truck	3580		75,000			75,000
John Deere 7610 Tractor	3581		58,200			58,200
20' Tilt Deck Trailer	3584		11,600			11,600
Solids Spreader 2021	3582		60,650			60,650
SUBTOTAL		\$ 308,861	\$ 274,506	\$ -	\$ -	\$ 583,367
GRAND TOTAL		\$ 2,502,375	\$ 414,906	\$ -	\$ 5,430,817	\$ 8,348,098

Source: District capital asset records & accounts payable records

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

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Disposals (Unaudited)
For the Year Ended December 31, 2022

Schedule 27

Asset Description	ID #	Collections (.01)	Plants (.02)	Industrial Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
(2) 9000 Gal Water Tanks	5908		\$ 10,000			
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
Bear Engine Analyzer	4028		\$ 22,780			
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ 22,780	\$ -	\$ -	\$ 22,780
MOBILE EQUIPMENT (189400)						
1975 Michigan 175B Loader	3085		\$ 19,189			\$ 19,189
1980 Grove Crane 7,5 Ton	3054		12,150			12,150
Trailer	3007		4,933			4,933
Trailer	3056		1,750			1,750
SUBTOTAL		\$ -	\$ 38,022	\$ -	\$ -	\$ 38,022
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	\$ -	\$ -	\$ -	\$ -
LAND & RIGHT OF WAYS (188600)						
SUBTOTAL		-0-	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL		\$ -	\$ 70,802	\$ -	\$ -	\$ 70,802

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, 2022

Schedule 28

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

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Assets Construction in Progress (CIP) (Unaudited)
 For the Year Ended December 31, 2022

Schedule 29

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
South Plant Rehab 906	5129				\$ 4,958,492	\$ 4,958,492
South Plant Rehab 906	5129				218,128	218,128
North Plant Rehab 905	5128				254,198	254,198
SUBTOTAL		\$ -	\$ -	\$ -	\$ 5,430,817	\$ 5,430,817
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ 5,430,817	\$ 5,430,817

Source: District capital asset records

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

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

Schedule 30

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
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
2020	\$ 1,848,955	\$ 3,834,360	\$ 1,215,753	\$ 1,895,843	\$ 8,794,911
2021	\$ 2,141,413	\$ 4,156,265	\$ 1,158,733	\$ 2,427,529	\$ 9,883,940
2022	\$ 1,723,160	\$ 4,121,295	\$ 2,937,597	\$ 3,070,371	\$ 11,852,423

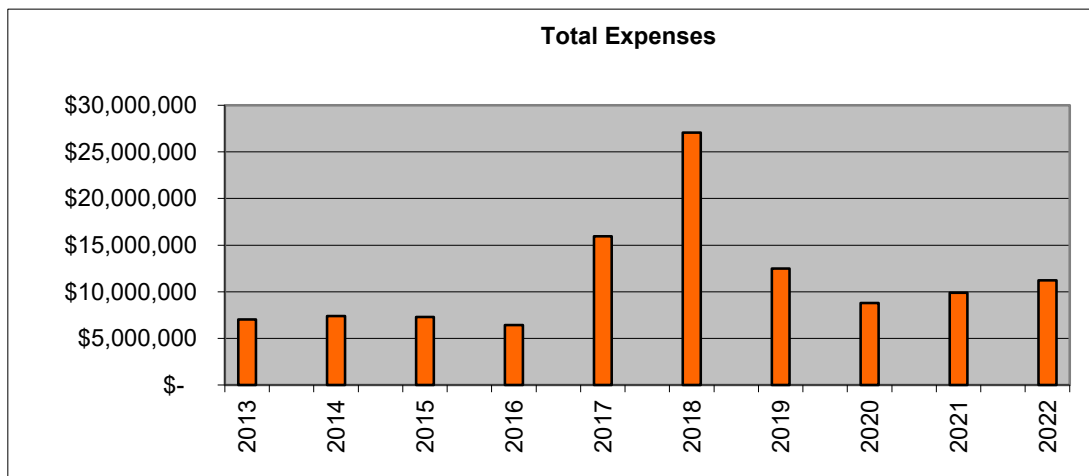
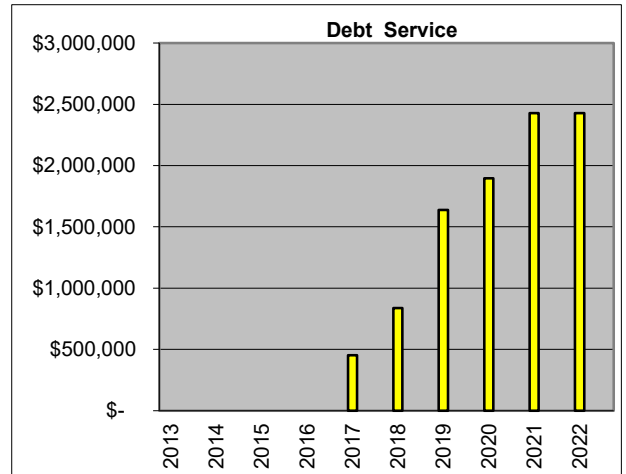
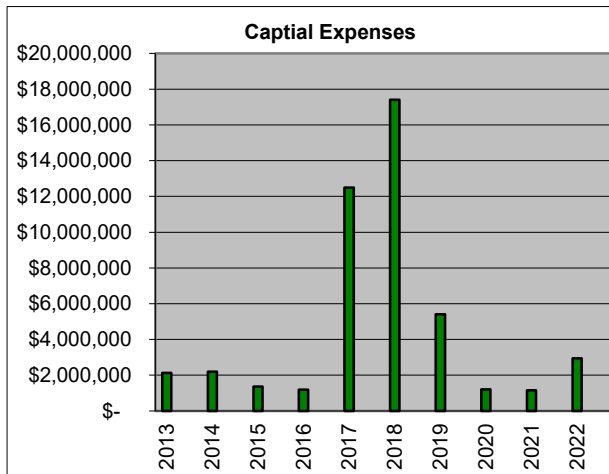
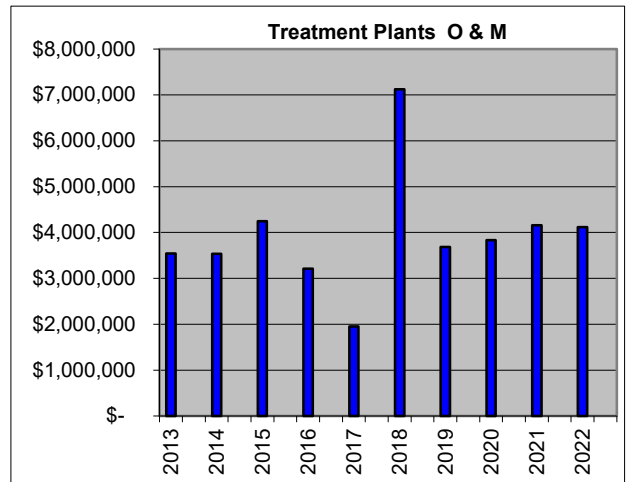
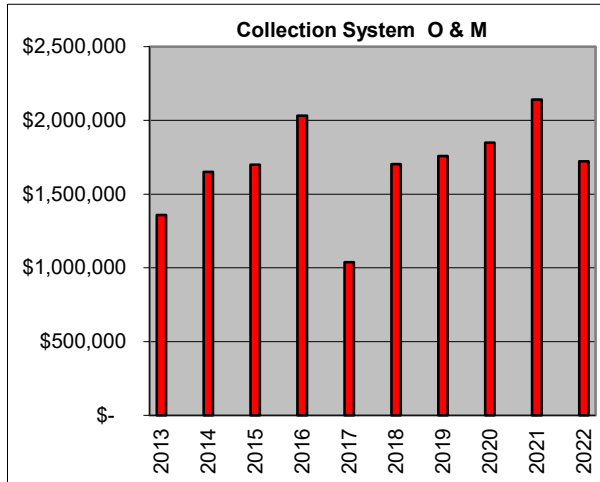
Source: District accounting records, Zions Bank, Trust Department.

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

SOUTH DAVIS SEWER DISTRICT

Expenses by Function (Unaudited)

Last Ten Fiscal Years



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

SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage (Unaudited)
For the Year Ended December 31, 2022

Schedule 32

<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	1/1/22 to 1/1/23
Philadelphia Olympus Insurance Agency	PHUB8612738	Excess Liability (\$10,000,000)	1/1/22 to 1/1/23
Philadelphia Olympus Insurance Agency	PHPK1754717	Property (\$52,030,580)	1/1/22 to 1/1/23
Philadelphia Olympus Insurance Agency	PHPK1754717	*Fidelity Bond (\$750,000) Treasurer	1/1/22 to 1/1/23
Philadelphia Olympus Insurance Agency	PHPK1754717	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/22 to 1/1/23
Worker Compensation Fund	1494897	Workers Compensation Liability (\$1,000,000)	1/1/22 to 1/1/23

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 (2020 amended budget). Settled claims have not exceeded commercial excess coverage in any of the past three years.

COMPLIANCE SECTION





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

Board of Trustees
South Davis Sewer District

We have audited, 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, the financial statements of South Davis Sewer District as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Davis Sewer 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Davis Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Audit adjustments – Certain balance sheet accounts had not been reconciled with supporting documents at year end. As a result, numerous adjustments to correct the balances were required. Adjustments were necessary in a variety of areas including accounts receivable, investment in WRR, LLC, capital assets, accounts payable/accrued expenses, long-term debt, net position balances, revenues, and expenditures/expenses. We recommend the District identify procedures to ensure the balances reported are consistent with accounting principles generally accepted in the United States of America. These procedures should include preparing detailed reconciliations of all material accounts and then performing a review of the final trial balance to ensure that all significant journal entries are posted.

Management's response – We appreciate the comments and will implement procedures as appropriate to ensure the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Compliance and Other Matters

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

Purpose of this Report

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

Squize & Company, PC

Orem, Utah
August 14, 2023



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

Board of Trustees
South Davis Sewer District

Report on Compliance

Opinion

We have audited South Davis Sewer District's compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended December 31, 2022.

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Utah Retirement Systems

In our opinion, South Davis Sewer District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a state compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Squire & Company, PC

Orem, Utah
August 14, 2023

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

