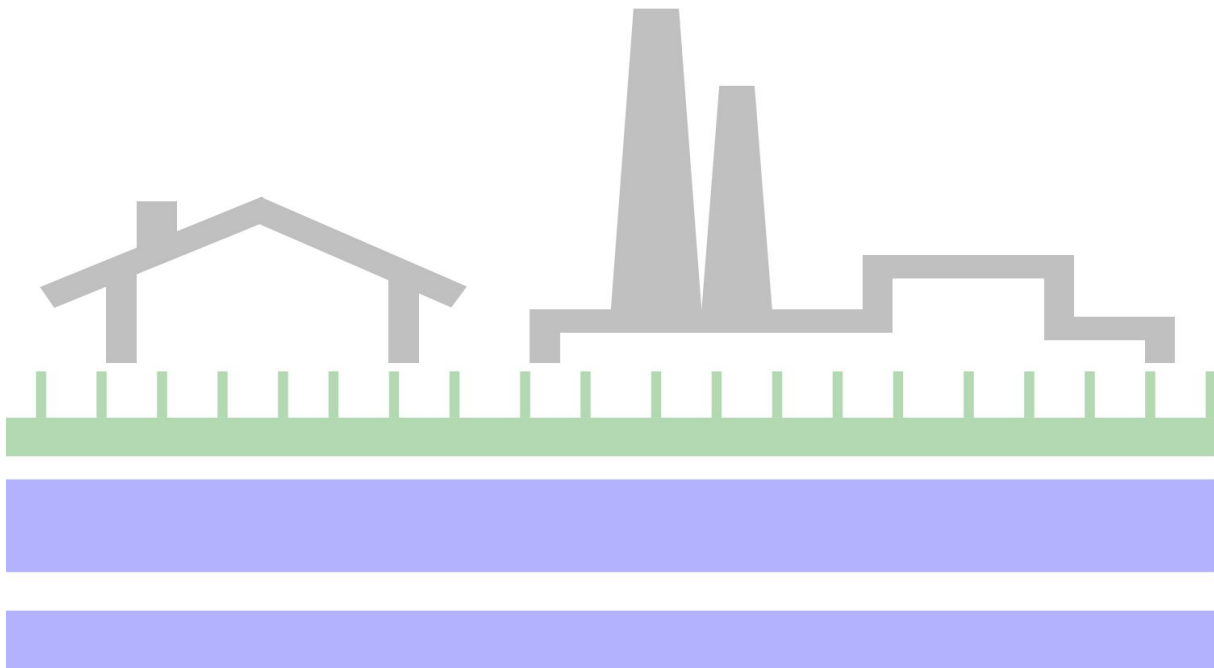


# **SOUTH DAVIS SEWER DISTRICT**

## **West Bountiful, Utah**

### **Comprehensive Annual Financial Report**

For the Fiscal Year Ended December 31, 2015 and 2014





**SOUTH DAVIS SEWER DISTRICT**  
North Treatment Plant  
West Bountiful ,Utah





# Comprehensive Annual Financial Report

## South Davis Sewer District West Bountiful, Utah

For the Fiscal Year Ended December 31, 2015 and 2014

*Office Location:* 1800 West 1200 North  
West Bountiful, UT 84087-2501  
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**SOUTH DAVIS SEWER DISTRICT**  
**Comprehensive Annual Financial Report**  
**For the Years Ended December 31, 2015 and 2014**

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# INTRODUCTORY SECTION







## South Davis Sewer District

Mailing Address:  
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June 20, 2016

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

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified accountants. The South Davis Sewer District (District) hereby submits this Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015, in compliance with these requirements.

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

Karren, Hendrix, Stagg, Allen, and Company, P.L.L.C., a firm of licensed, certified public accountants has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended, December 31, 2015, 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, 2015, fairly represent conformity with GAAP. The first component of the financial section of this report beginning on page 34 is the independent auditor's report.

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

The CAFR consists of four main sections:

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

## **Background**

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

The District began construction of the North Plant at 1800 West 1200 North in West Bountiful in December 1960 and completed its construction in August 1962. The District began construction of the South Plant located at 1380 West Center Street in North Salt Lake in June 1961 and completed its construction in October 1962. The District constructed collection systems in Centerville, North Salt Lake, West Bountiful, and Woods Cross and trunk lines connecting all five collection systems in the District to the two treatment plants. The District owned and operated the collection system for all areas except for Bountiful City, which retained ownership of the existing lines in their city. On January 1, 2004, Bountiful City transferred ownership of their system to the District. The District's collection system now consists of 383 miles of sewer.

In the mid-1980's, the treatment plants had exceeded their nominal design life of 20 years and were treating wastewater flows near their capacity. The District undertook planning and engineering studies to determine whether the original treatment plants needed to be rehabilitated and expanded, or if all new treatment facilities should be constructed. Because most of the original structures and much of the original equipment were still in excellent condition, the District decided to rehabilitate and expand the existing plants.

The District began the North Plant expansion and rehabilitation project in September 1988 and completed the project in June 1991. The District began the South Plant expansion and rehabilitation project in October 1992, and completed it in February 1994. These projects increased capacity at the North Plant from 5.3 to 12.0 million gallons per day and at the South Plant from 2.8 to 4.0 million gallons per day. These projects included extensive rehabilitation and modernization of electrical, mechanical, structural, and hydraulic facilities. The total cost of these two projects was \$13,178,000.

The District currently serves a total population of approximately 91,359 (2012 census). 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 the per capita flows have decreased. The Plants are only operating at approximately 60% capacity. At current per capital flows, plant design capacity would support a population of approximately 150,000.

The District recently inventoried the remaining vacant land in the District along with its planned use and density. From this inventory, the District estimates the saturation population to be 108,698. This agrees closely with the Wasatch Front Regional Council's current estimate of the year 2040 population of 105,608. Build-out will likely occur during the next 20 to 25 year design horizon for plant rehabilitation. The Wasatch Front 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". There will undoubtedly be some unexpected increases in density so we propose using a population of 110,000 for planning and design purposes.

Existing plant capacity will serve the District through build-out based on this population projection and assuming no significant changes in discharge permit requirements. However, given current



regulatory pressure to remove nutrients and the number of emerging constituents of concern permit requirements will almost certainly become more stringent.

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 several very small parcels that have been annexed by Bountiful and Centerville. The District is currently preparing documentation for annexing these parcels

## **Governance**

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

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

Arnell E Heaps was reappointed to the Board in January 2013, to represent Bountiful City. He has served on the Board for 32 years. Dee C. Hansen was reappointed to the Board in January 2012 to represent Centerville City. He has served on the Board for 20 Years.

2013 was an election year for the District. Two of the District's Board Members are elected from at-large in the District. There were three candidates register for the election. They all ran spirited campaigns. Long time Board Member, Dean Mortenson, died on December November 4, 2013, which was the day before the election. The County Election Manager determined that Dean's name be removed from the ballot for the election. Because of the short notice, this caused some confusion during the election. In the end, the Board certified the election of Howard Burningham and John Davies to the Board. Howard has served on the Board for 16 years.

Mark Preece was appointed to represent West Bountiful City in January 2013. Ryan Westergard was appointed to represent Woods Cross City in February of 2014. In June 2014, North Salt Lake City's Board Member, James Dixon, resigned. North Salt Lake City appointed its Mayor, Len Arave to fill the remainder of this term.

At the January meeting of the Board of Trustees, Mr. Arnell Heaps was elected Chairman of the Board of Trustees. Mr. Heaps has served as a Board Member for 32 years. He recently completed 12 years service as a member of the Executive Board of the Utah Association of Special Districts. Late in 2015, Mr. Heaps suffered various health burdens, therefore he has submitted his resignation from the Board to Bountiful City. We expect a new trustee to be appointed by Bountiful City in the next few weeks. In the interim Mr. Dee Hansen, Vice Chair is serving as Chair. Mr. Heaps' contribution to the Board and the District will be greatly missed.

The Board has three standing committees: auditing, personnel and engineering. The audit committee has the responsibility for the direction of the audit and consists of Arnell Heaps, Dee Hansen, and Ryan Westergard. The personnel and engineering committees review and recommend the annual budgets for their respective areas. The personnel committee consists of Howard Burningham, Chair, Mark Preece and Len Arave. The engineering committee consists of Dee Hansen, Chair, John Davies, and Ryan Westergard.

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 must be submitted to the Board at the October Board meeting. The Board can adjust the current year's budget up to December of

that budget year providing it is done with the appropriate notices and hearings. This annual budget serves as the basis for the District's financial planning and control.

The Board has authorized the District's attorney to begin the process of updating the Board's Policies and Procedures. This project was begun in 2014 and will be completed and the new Policies and Procedures adopted this year.

The Utah Legislature has extensively updated the State's procurement statute. The District's attorney, Mr. Mark Anderson, was a member of the task force that drafted the new statute; he is also on the State Procurement Board established by the statute. Mr. Anderson and the staff have been authorized by the Board to begin revising the District's procurement policies and procedures.

Utah code requires annual training for Board Members. The Association of Special Districts represents districts at the Legislature and provides training for special district board members and management. All Board members are in compliance with this training requirement.

### **Financial Guidelines**

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

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

### **Long Term Financial Planning**

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

The District has not raised user fees since 1988 when they were raised from the then current fee of \$2 to \$5 per month per residence and residential equivalent. Since 1988, the District's tax rate has decreased 68% from 0.000940 to 0.000303. The median house value is currently \$250,000 and would pay an annual tax of \$37.63 (at an assessed valuation of (50%). This is a total sewer user cost of \$8.13 per month. This is the lowest sewer rate in the State of Utah and ranks in the bottom 3% of sewer rates nationwide. This rate is less than one third of the Wasatch Front average sewer rate.



In 2012, the District with the assistance of Zions Bank Public Finance completed a review of its impact fees in accordance with State Statute. The impact fee was increased from \$1,456 for a single-family residence to \$1,596. This impact fee represents the value of the infrastructure provided to a new home that has been built and financed by existing District users. District revenues are adequate for debt service, operations, and maintenance. They also contribute to reserves for anticipated capital projects. The District, again assisted by Zions Bank Public Finance, is currently performing a review of its sewer rates, which expected to be completed in 2015. Due to current uncertainties in discharge permit requirements and a proposed new resource recovery project, this study is not yet complete.

The following table shows the current allocation of District reserves:

<b>Capital Reserves Allocation</b>	<b>Amount</b>
Operating Capital	\$2,000,000
Insurance Reserve Fund	\$150,000
<b>Subtotal</b>	<b>\$2,150,000</b>
Reserve for renewal and replacement	\$1,200,000
Near term capital improvements budget	\$2,500,000
Long term capital improvements budget	\$7,433,336
Sludge disposal (compost, land application)	\$2,000,000
<b>Subtotal</b>	<b>\$13,133,336</b>
Collection system renewal & replacement	\$3,000,000
Collection system equip. (jet washer, CCTV repl.)	\$500,000
<b>Subtotal</b>	<b>\$3,500,000</b>
<b>TOTAL</b>	<b>\$18,783,336</b>

The District retired its last bonds in 2008. Bonding will not be required for future capital improvements under current circumstances. There are, however, two significant emerging issues. First, since wastewater reuse, should it be implemented, would benefit a limited number of District customers. It will have to carry all of its capital, operation, and maintenance costs. It may be desirable to bond for reuse capital costs to isolate them from the District's normal budget. Second, if significant new discharge requirements such as the treatment of nutrients (nitrogen and phosphorus), metals (mercury, selenium, etc.), or endocrine disruptors (personal care products and pharmaceuticals) should be added to the District's discharge permit, very large additional capital, operation, and maintenance costs would be added to existing budget requirements. This would require both significant bonding and significant rate increases.

The District's total sewer cost is the lowest of in the State. Based on a national survey by the National Association of Clean Water Agencies, the District's rates are in the bottom 3% of rates nationally. While the District would be very concerned about raising rates, if this is necessary, a significant rate increase would only bring us up to less than the average rates already being paid along the Wasatch Front. Rates for all other treatment plants would also increase and we would still have the lowest rate in the State.

## **Local Economy**

### *Construction*

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

The District saw a significant drop in the number and value of residential units, which decreased 25.2% and 4.6% respectively from 2014 to 2015. This continues a trend from the previous two years where the number and value of residential construction decreased significantly. From 2011 to 2012 the number and value of residential units increased by 62% and 44% respectively. From 2010 to 2011, the number and value of residential construction increased 107% and 55% respectively. From 2010 to 2012, we see a strong recovery from the recession. The decreases in the last three years are probably more of a reflection on the decreasing space available for development rather than influences from the overall economy.

The District is seeing more, large apartment projects than in the past. In 2012, two projects of 214 units and 28 units were completed. In 2013, two projects of 168 units and 106 were completed. In 2014, there was a project of 196 units. In addition, there are numerous projects where older single-family residences and lots are converted to duplexes, fourplexes and other multi-family housing. These increases in housing density could affect planning for the collection system and treatment plants.

The following table\* summarizes construction activity in the District for 2014:

City	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2014	2015		2014	2015		2014	2015	
	Number	Number	% change	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change
Bountiful	55	84	52.7%	\$ 14,630	\$ 17,990	23.0%	\$ 5,495	\$ 6,311	14.8%
Centerville	7	121	1628.6%	\$ 1,806	\$ 20,069	1011.2%	\$ 7,940	\$ 2,925	-63.2%
North Salt Lake	400	156	-61.0%	\$ 42,833	\$ 31,492	-26.5%	\$ 7,099	\$ 2,420	-65.9%
West Bountiful	13	15	15.4%	\$ 3,984	\$ 3,138	-21.2%	\$ 484	\$ 216,982	44731.0%
Woods Cross	44	12	-72.7%	\$ 9,233	\$ 3,122	-66.2%	\$ 5,492	\$ 3,926	-28.5%
<b>Totals</b>	<b>519</b>	<b>388</b>	<b>-25.2%</b>	<b>\$ 72,486</b>	<b>\$ 75,811</b>	<b>4.6%</b>	<b>\$ 26,510</b>	<b>\$ 232,564</b>	<b>777.3%</b>
<b>Additions &amp; Repairs</b>									
City	Residential			Nonresidential			Total Construction Value		
	2014	2015		2014	2015		2014	2015	
	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change
Bountiful	\$ 3,280	\$ 3,480	6.1%	\$ 1,496	\$ 2,634	76.1%	\$ 24,901	\$ 30,415	22.1%
Centerville	\$ 1,773	\$ 745	-58.0%	\$ 3,532	\$ 1,802	-49.0%	\$ 15,054	\$ 25,541	69.7%
North Salt Lake	\$ 1,207	\$ 2,197	82.0%	\$ 10,666	\$ 13,131	23.1%	\$ 61,807	\$ 49,240	-20.3%
West Bountiful	\$ 527	\$ 398	-24.5%	\$ 320	\$ 500	56.3%	\$ 5,226	\$ 221,019	4129.3%
Woods Cross	\$ 380	\$ 938	146.8%	\$ 976	\$ 377	-61.4%	\$ 16,083	\$ 8,363	-48.0%
<b>Totals</b>	<b>\$ 7,167</b>	<b>\$ 7,758</b>	<b>8.2%</b>	<b>\$ 16,990</b>	<b>\$ 18,444</b>	<b>8.6%</b>	<b>\$ 123,071</b>	<b>\$ 334,578</b>	<b>171.9%</b>

\*Utah Construction Report

## Employment

In early 2007, Utah's job growth was 4.9%, well above the national rate of 1.5%. In December 2007, the month that the National Bureau of Economic Research cites as the beginning of the recent recession, Utah's job growth dropped to 3.0% compared to the National job growth of 0.8%. By the end of the recession at the end of 2009 Utah's job growth had dropped to -6.0%. The job growth for the U.S. bottomed out at -5.0%. Utah's job growth remained below the U.S. average until early in 2010, since that time Utah's job growth has remained well above the U.S. average. The average growth rate from 2011 through 2014 has been 3.0%. Utah's job growth was 3.7% in 2015, while the national rate is estimated at 2.1%.

The monthly unemployment rate for Utah was 3.3% in February. Compared to a year ago Utah added 44,700 jobs. Several services sectors posted net employment losses, including natural resources and mining, which do not directly affect South Davis County, eight other private sector industry groups posted net job increases. Education and health services; trade, transportation and utilities; and leisure and hospitality showed significant increases in employment. Unemployment levels are expected to remain steady for 2016. Labor force participation for Utah has averaged 69.4% for the last 35 years, immediately before the recession it was 72%. Labor force participation is currently 68.2%.

Utah's personal income increased by 4.5% in 2015 to an estimated \$115.9 billion, lower growth compared to the 5.1% increase in 2014 but higher than the 3.7% increase in 2013. Utah's average annual pay grew 3.6% to reach \$4,529 in 2014. Annual pay is forecast to increase by 2.6% to \$38,641 in 2015. According to the Economic Council's, "Economic Report to the Governor":

"With the Federal Reserve beginning to raise interest rates, U.S. investment slowing, and continued slowing in the European and Chinese economies, we do not expect to see large improvements in Utah income growth in 2016; more likely is a slight deceleration in the growth for both total personal income and per capita personal income."

#### *Current Economic Conditions*

The U.S. Chamber of Commerce Foundation study, "Enterprising States: States Innovate", ranked Utah as:

- |     |  |
|-----|--|
| 1st | Short-term job growth; State R&D investment; high-tech job growth                                    |
| 3rd | Long-term job growth; higher education degree output   |
| 4th | STEM job growth  |
| 5th | Gross State product growth; bridge quality   |
| 6th | High-tech share of all business  |
| 7th | New startup rate; labor force utilization  |
| 8th | Academic R&D intensity; legal environment; broadband speed availability, high-tech job concentration |
| 9th | Export growth; small business lending; business tax climate; college affordability                   |

The report concludes that Utah rated as "the most fundamentally sound state across all identified policy areas.

Property tax revenue increased 3.1% from 2014 to 2015. The certified tax rate increased by 0.7%, while the assessed valuation increased by 6.0%. Assessed valuation growth for 2014 and 2015 was almost three times the average for the previous 10 years. This increase is not entirely reflected in the tax revenue but is still a good support for stable property tax revenues.

Impact fees decreased from \$1,113,553 in 2008 to \$605,482 in 2009 and to \$285,462 in 2010. In 2011, however, we saw a substantial recovery in housing activity, which resulted in impact fee revenue of \$712,026. Impact fees were \$957,351 for 2012 and \$1,029,824 in 2013. Impact fee revenues decreased 15.7% to \$868,201 for 2014. Impact fees for 2015 were \$4,573,785. This unusually large amount was due to a \$3,700,000 impact fee for expansion at the Holly refinery. The balance of the 2015 impact fee of \$873,785 is nearly the same as that for 2014.

Annual impact fees should continue to decline. This is a reflection of the availability of land for development. However, the number of large apartment complexes has been an important factor in the level of impact fees collection in recent years. Apartments will definitely be an important factor in 2015. If the trend in the construction of large apartment complexes and other high-density projects continues, we will need to monitor treatment plant capacity. We may also have to monitor sewer trunk line capacities in specific areas.

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

At Hill Field Air Force Base, the first operational unit of the new F-35 Joint Strike Force Fighter has arrived. This action strongly reinforces the chances that Hill Field will avoid future base closures. Hill

Field is the most significant element in the Davis County economy. Significant cutbacks or closure would have far-reaching effects on the local economy.

There is a \$1.8 billion Terminal Redevelopment Program at the Salt Lake City International Airport will upgrade and expand terminal capacity to 23 million passengers per year. Construction was begun in 2014 and will continue through 2020. This project will not only strengthen short-term employment, but also enhance the long-term economy for Northern Utah.

## **Current Major Activities - Accounting**

### *Comprehensive Annual Financial Report (CAFR)*

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

### *Governmental Accounting Standards Board*

The Governmental Accounting Standards Board (GASB) has promulgated new standards governing pension plans, Statement #67 and #68. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. This is to be achieved by, "increasing the effectiveness of existing standards for accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency". These requirements apply to financial statements prepared for fiscal years after June 15, 2015. The requirements of Statements #67 and #68 have been incorporated into the District's 2015 CAFR.

The Governmental Accounting Standards Board (GASB) has promulgated new standards governing annual audits. These are Statement #69 and #70. Statement #69, "establishes accounting and financial reporting standards related to government combinations and disposals of government operations". As used in this Statement, the term *government combinations*, "includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations".

The Governmental Accounting Standards Board summarized GASB #70 as: "Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. In addition, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees".

Statement #69 and #70 are in effect for fiscal year 2014, but do not apply to the 2015 financial reporting for the District. The District does not currently have any activities that are governed by these Statements.

### *Investments*

Currently all District reserves are invested with the Public Treasures Investment Fund.

In 2015, the District published a Request for Qualifications for an investment advisor. Two of the five firms certified by the State of Utah Money Management Council to offer investment advisory services to local governments submitted proposals. The submittals were evaluated and both firms made



presentations to the Board. Moreton Asset Management, LLC was selected to provide these services. As the cash flow needs for the District's Resource Recovery Project and Treatment Plant Rehabilitation Project become better defined, Moreton will assist the District in seeking investments that have a higher return than the Public Treasures Investment Fund. Due the Public Treasures Investment Funds limitations 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.

### *Impact Fees*

The 2012 Utah Legislature adopted changes to the statute governing impact fees. Zions Capital Finance was retained to assist the District in updating its impact fee in compliance with the new statute. The statute outlines a detailed methodology for calculating the impact fee. The intent of the statute is to ensure that the impact fee represents an equitable assessment of the cost of providing service to new customers. The District's impact fee of \$1,456 was adopted in 1995. The current impact fee study recommended that the impact fee be raised to \$1,596, an increase of 10% after 17 years. Lengthy notice periods were adopted to allow for public comment and to permit developers and other impacted users time to consider the impact fee increase in their budgeting. No changes to this Statute were adopted in 2015.

## **Current Major Activities – Human Resources**

### *Retirement Benefits*

The District has historically contributed 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.

The URS sustained serious losses of reserves during the stock market meltdown. Without significant adjustments, it would be unable to meet its long-term obligations to retirees. The legislature has addressed the problem. Retirement benefits for District employees who began employment prior to July 1, 2011 are not changed. These are "Tier 1" employees. "Tier 2" employees are those who begin initial employment on or after July 1, 2011. Retirement benefits for these employees are significantly reduced.

Contribution rates are set on July 1<sup>st</sup> of each year. Tier 1 contribution rates for 2015 are 20.46% for the contributory system and 18.47% for the non-contributory system. Contribution rates for Tier 2 employees for 2015 are 16.72%. Currently all contributions are funded by the District. Additional information is contained in the Notes to the Financial Statements.

To recover the lost reserves a new assessment called, "Amortization of Unfunded Actuarial Accrued Liability" has been instituted. This assessment will be imposed only until reserves have been recovered. The recovery contribution is included in the percent contributions noted above paragraph.

The reduced retirement benefits for future employees will arguably make recruitment and retention of employees more difficult. This comes at a time when significant numbers of baby-boomers will be retiring and there will likely be heated competition for qualified personnel.

There are no 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 2012. The Utah Public Employees Health Plan, which

is a part of the Utah Retirement Systems, was very competitive with the commercial market and was again selected to be our insurer. By dropping a tier in coverage and reducing the number of providers available in the system, we were able to reduce our renewal premium significantly.

For several years, we have been following the development of high deductible health plans (HDHP). In these plans, 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. As long as funds in the account are used for qualifying medical expenses, they are not taxed. During the procurement, process proposals for a high deductible plan were solicited. The insurance industry has reached a point where the premiums for these plans fairly represent the lower risk to the insurance company. Savings from the reduced premium allowed the District to fund the annual contribution to the HSA. The District offered the high deductible option to employees for 2012. Most District employees (19 out of 25) opted for the high deductible program.

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 under insurance overhead.

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

The District will have its first retiree in quite some time in 2016. A replacement has been hired and is being trained. There will be a number of retirements over the next several years and finding qualified and motivated replacements is likely to be a problem. One of the key elements in the District's success is the quality of its workforce. The District's compensation is competitive and we will exert every effort necessary to locate and recruit suitable replacements. Salary budgets will be higher in the near term as we hire replacements early enough to be adequately trained before existing employees retire.

### **Current Major Activities - Regulatory Issues**

#### *Total Maximum Daily Load Study*

The Utah Division of Water Quality (DWQ) has initiated a Total Maximum Daily Load (TMDL) study for the Jordan River. These studies are mandated by United States Environmental Protection Agency (USEPA) regulations when a body of water does not attain certain water quality standards. These studies look at a wide range of water quality issues investigating how the various sources of pollution relate to the water body in question.

The studies are intended to identify any water quality issues that affect the water body attaining its highest and best use. Any pollutant sources that contribute to limiting the water body's water quality are then identified and a plan developed to eliminate the pollution if possible. These studies often lead to more stringent, discharge limitations on point sources such as Publicly Owned Treatment Works (POTWs).

Several issues concerning discharge limitations have come into sharper focus during the last several years. One of the environmental concerns addressed by the above TMDL is nutrient, nitrogen and phosphorus, removal. Locally, there seems to be considerable sentiment, especially from DWQ staff that nutrient removal for treatment plants discharging to the Jordan River and/or the Great Salt Lake is inevitable.

It is important for the District to be a proactive participant in the TMDL process. Participation gives POTWs an opportunity to understand the technical basis for the work being done and attempt to affect the outcome where appropriate. It also is important to be informed of developing issues as early as possible to facilitate planning for capital needs if the effect on discharge standards would require the expansion or upgrade of treatment capabilities.

#### *Technology-Based Nutrient Limits*

On November 27, 2007, the National Resources Defense Council (NRDC) filed a formal Petition for Rulemaking with USEPA addressing the issue of secondary treatment standards for nutrient removal for POTWs. The petition contends that limits of 1.0 mg/l total phosphorus (TP) and 8.0 mg/l total nitrogen (TN) averaged yearly can be met by applying existing technology to improve existing biological treatment processes and that limits of 0.3 mg/l TP and 3 mg/l TN are achievable using currently available technology. In 2008, a position statement from the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) was submitted to USEPA supporting the NRDC petition. In 2009 ASIWPCA, the Association of State Drinking Water Administrators (ASDWA), the EPA Water Protection Division, and the EPA Office of Science and Technology issued a several hundred-page report titled, "An Urgent Call to Action – Report of the State-EPA Nutrient Innovations Task Group". Local environmental groups consistently raise nutrients as an issue of concerns.

In 2014, DWQ promulgated a technology-based rule for nutrient removal, which would require all treatment plants to reduce nutrients in their effluents to 1 mg/l of phosphorus within 5 years. It was anticipated that there would then be a limit of 10 mg/l of total inorganic nitrogen required within 10 years. This rule is independent of any limit determined by a TMDL or other regulatory process. These new requirements will have significant impacts on both capital and operational costs.

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

DWQs approach to implementing the technology based nutrient standards has undermined support from the POTWs. It is anticipated that the POTWs along the Wasatch Front will challenge this and other issues at both the legal and legislative levels.

#### *Emerging Constituents of Concern*

MSNBC aired a three-part program in March of 2007, concerning the presence of pharmaceuticals in the drinking water supply of 41 million Americans. Most medications are incompletely utilized in the body and traces end up in sewage. Outdated medications are often flushed down the toilet. These residues are not completely removed by conventional wastewater treatment. This practice has been happening as long as there have been medications and sewers. However, the effects of these very low (parts per billion or trillion) have not been widely studied.

USEPA announced on April 8, 2009, that it is seeking approval from the Office of Management and Budget to study the prevalence of 200 emerging contaminants of concern in drinking water sample from 25 utilities. Their notice explained that improvements in analytical chemistry have enabled scientists to detect trace amounts of contaminants that are commonly used in homes and being released into the environment. Fluorinated compounds such as perfluorooctanoic acid (PFOA) were cited as an example. PFOA is associated with the manufacture and use of Teflon® and other nonstick products.

On April 15, 2009, USEPA announced the first list of 67 pesticides to be screened as potential endocrine disruptors. Endocrine disruptors are chemicals that interact with and possibly disrupt the hormones produced by human or animal endocrine systems, which regulate growth, metabolism, and reproduction. Pesticides as well as other endocrine disruptor residues have been identified in some wastewater treatment plant effluents.

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

- Take unused, unneeded, or expired prescription drugs out of their original containers.
- Mix the prescription drugs with an undesirable substance, like used coffee grounds or kitty litter, and put them in impermeable, non-descript containers, such as empty cans or sealable bags, further ensuring that the drugs are not diverted or accidentally ingested by children or pets.
- Throw these containers in the trash.
- Flush prescription drugs down the toilet only if the accompanying patient information specifically instructs it is safe to do so.

Return unused, unneeded, or expired prescription drugs to pharmaceutical take-back locations that allow the public to bring unused drugs to a central location for safe disposal – Centerville City, Bountiful City, and West Bountiful City have disposal facilities at their respective police stations. If the District has to treat any of these constituents, extensive treatment plant modifications or possibly an entirely new treatment plant will have to be built. The District's existing trickling filter plants are not capable of treating these constituents to the low levels being discussed.

#### Utah Pollutant Discharge Elimination System (UPDES) Permit Renewal

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

The new technology based limit for phosphorus is not an immediate problem. We have several years to comply with or to challenge this permit limit.

DWQ would very much like to reduce the permit limits for ammonia for both plants. The lower ammonia limits are based on a computer model of the District's receiving waters, the Jordan River and the State Canal. The District believes that there are several major issues with the computer model, with receiving water flow assumptions, and evolving water quality standards for ammonia that need to be resolved before reducing ammonia permit limits. Discussions with DWQ are on going.

The District has been following a policy of minimizing treatment plant upgrades and improvements until the outcome of these issues becomes clearer. As discussed above rulemaking for nutrient removal may allow the District to proceed with planning for needed rehabilitation and upgrades. Existing facilities will continue to be maintained in a workmanlike manner.

#### *The Jordan River/Farmington Bay Water Quality Council*

The District has joined the six other POTWs discharging to 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 the above TMDL and other water quality concerns surrounding these water bodies. The group provides ongoing funding to hire a fulltime, PhD level scientist to assist the group in understanding and responding to the many meetings, reports and published research concerning the Jordan River, Farmington Bay and the Great Salt Lake.



The group also supports research projects concerning current and anticipated water quality issues. We seek grant funding where possible and appropriate. We also seek to have a presence and to participate in all water quality related activities and groups in the watershed.

For the 2015/2016 season, the Water Quality Group budgeted \$600,000 in studies of the Jordan River and Farmington Bay. Most of these funds are to support university researchers and laboratory work for these researchers. A number of these projects, however, are performed by our research director and university students hired for the summer.

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

Provo City and The Timpanogos Special Service District have joined the group. We are currently working with Orem City to include them in the group. The 2015/2016 budget for Utah Lake is \$200,000. These agencies are facing much the same issues in Utah Lake. This will expand our research activities to their receiving streams and Utah Lake. This addition to the group improves both our economic and political strength.

#### *Treatment Plants – Compliance*

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

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

#### North Plant

In January, The North Plant slightly exceeded its maximum weekly average limit for ammonia and its 30-day average limit for Total Suspended Solids. These exceedences were due to an accidental discharge of sodium hydrosulfide from the Holly refinery. This issue was resolved with Holly

In November and December, the North Plant exceeded its limit for ammonia. The Plant had no operational problems or pretreatment problems. The exceedences were likely due to cold weather.

There were no biomonitoring exceedences. All tests passed with wide margins.

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

#### South Plant

BODs for the South Plant effluent for December 2014 and January 2015 were extremely high. Effluent COD, TSS and Ammonia were all normal. We cannot explain a high BOD result under these conditions. We began running triplicate samples for BOD and splitting samples with a second lab. The problem spontaneously disappeared.

There were no biomonitoring exceedences. All tests passed with wide margins.

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

## **Current Major Activities - Treatment Plants**

### *Resource Recovery Project*

Recently the Water Environment Federation, the professional association for the wastewater industry, determined to rebrand wastewater treatment plants as resource recovery facilities. This has been done to encourage a change in the thinking about the role of these facilities in the economy and the environment. Wastewater is not a pollutant to be gotten rid of, it is a resource to be recovered and reused. The nutrients, phosphorus and nitrogen are again, not pollutants, but resources that should be recovered. The organic matter removed from the wastewater is not a sludge to be gotten rid of in the least objectionable manner but a source of renewable energy.

Compost from biosolids and green waste has long been a valuable community resource. Technologies for recovering phosphorus and nitrogen in a useable form for marketing to agriculture have been developed. For many years, significant volumes of reclaimed wastewater have been beneficially used for agricultural and industrial purposes. The first direct reuse of reclaimed wastewater as a raw water supply for a drinking water plant went online in Big Spring, Texas in 2014.

Several major resource recovery facilities in the U.S. have become net energy exporters in addition to providing all of 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 to the natural gas utility grid rather than generating electricity
- Public/Private Partnerships to provide technical and business expertise as well as capital

During 2015, 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 have been undertaken.

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

ALPRO has identified enough sources of organic waste that are highly likely to divert their waste to the Resource Recovery Project once it is operational to provide 110% of the feed stock needed. Work to identify and arrange to divert organic wastes will continue until we have reached 125% of the needed feed stock or better. This will provide for sources that go out of business, change their business model, or are otherwise not available to the project. Discussions have been undertaken with other POTWs to take organic wastes in excess of the Project's needs should that situation arise.

In the near term, several major sources of organic waste have critical need for a recycling option to be available as soon as possible. We are currently developing options to expand the capacity of the District's existing digesters and to fast track the construction of one of the proposed new digesters.

ALPRO has developed options for the marketing of both renewable natural gas (RNG) and electricity. Long-term contracts are available for both options.

As we have researched technologies for capturing nutrients from the digestate and digestate side streams, there appear to be opportunities to combine nutrient removal needs for the Resource Recovery Project and for South Plant effluent treatment. This could provide the District with an economical way to meet present and future nutrient limits.

#### *North Plant*

The North Plant's pump stations have both had flow control issues over the past several years. A 90 hp. pump and variable frequency drive (VFD) were installed in pump station #1. This pump replaced an existing 60 hp unit. The new pump has greatly reduced the number of pump starts in the pump station, which affects both pump motor life and demand charges. A 90-hp. pump for pump station #2 was purchased in 2015 and will be installed in 2016. Extensive upgrades in the power supply and drives have been made in both pump stations. Variable frequency drives have been provided for all pumps. These pumps improve pump life and efficiency.

New disinfection and de-chlorination facilities completed in 2015 have performed extremely well. Chemical costs are higher but this is the expected trade-off for a safer process. Peracetic acid has been recently developed as a wastewater disinfectant. The use of peracetic acid eliminates chlorine, which would be desirable from an environmental point of view, and eliminates the need for de-chlorination. Peracetic acid was evaluated but proved significantly more expensive than the sodium hypochlorite and sodium bisulfite that we are currently using.

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

#### *South Plant*

The new disinfection facilities at the South Plant have been equally successful. The new systems operate more smoothly and reliably than the old gas chlorine system.

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

#### *Biosolids*

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

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

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

of the Parkway. Over the last several years, these developments have largely eliminated the area available to the District for the agricultural land application of biosolids.

The District's current program is so inexpensive that we will continue to use it as long as possible. There are a number of viable alternative for the utilization of biosolids. The District maintains contact with all activities and opportunities for biosolids in Utah. On-site storage space gives us at least a year to select and implement a new process when the time comes.

### **Current Major Activities - Collection System**

During the Clinton administration, EPA developed a new regulation for the operation of collection systems, generally referred to as Capacity Management, Operation and Maintenance (CMOM). Clinton signed the regulation into law in the last week of his presidency. President Bush suspended implementation of the regulation. The regulation was never promulgated. Several states have developed their own CMOM programs and many collection system operators, especially very large ones, adopted programs of their own.

The CMOM regulation was intended to require collection system operators to have competent and well-documented programs. These regulations will required that all collection systems have an operating permit. The permits required a written operations plan. Under the proposed regulation, permits were to be issued to the owners and operators of collection systems much as discharge permits are issued to treatment plants. These permits would have provided detailed operations and maintenance requirements, record-keeping requirements, reporting requirements, and would have provided penalties for sewer overflows and bypasses.

DWQ established a stakeholder group with the intent of developing a complete Utah CMOM regulation. During 2009, this group and a number of work groups met frequently and completed a draft regulation. This draft was finalized by DWQ staff and was put out for public notice. The regulation became effective September 30, 2012. The new regulation calls for each sewer agency to develop a Sewer Management Plan (SMP). All agencies were required to file a Notice of Intent by October 1, 2012, which the District has done. An SMP must be completed by September 30, 2014. If required a Sewer Evaluation ad Capacity Assurance Plan (SECAP) must be completed by September 30, 2015.

The District participated in the development of this regulation. We have not had any unusual difficulties in complying with the regulation developed by the State since we already followed most of the principals and practices outlined in the original CMOM regulation except for some written documentation and reporting. The District has developed and adopted a written operations plan that complies with the new regulation. All applicable deadlines have been met.

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 permit compliance or the life of these assets.

### **Major Activities - Future**

#### *Finance*

The District has retained Zions Capital Finance to perform a rate study. District sewer rates have not been changed since 1988. Despite having extremely low rates, the District has had a comfortable positive cash flow. Growth and inflation have ultimately reduced our net operating revenues to a small margin. The purpose of the study is to review rates relative to expected capital improvement needs, increased operating and maintenance costs over time, and internal equity between different customer classes such as residential versus industrial customers. The rate study is currently on hold while we determine any effects of the Resource Recovery Project on the amount and timing of any rate increase.



### *Collection System*

Most of the District's trunk lines (lines over 8-inches in diameter) are constructed of reinforced concrete pipe (RCP). RCP is a robust and reliable product for sewers. It is, however, subject to corrosive attack from bacteria and chemicals under certain conditions. Historically, if RCP needed to be replaced the only alternative was to excavated and install new pipe. Since about 2005, a process called Cured in Place Pipe (CIPP) has become a technically and economically superior option.

In this process, a tube of polyester felt and/or fiberglass is saturated with epoxy or vinyl ester resins and inserted into the existing pipe. It is inflated with air or water pressure and then cured using hot water or steam. The resulting composite pipe is structurally independent of the original pipe and provides both a very smooth and corrosion resistant product. This process involves less interference with traffic and other activities, is accomplished in a fraction of the time, and is far less expensive than traditional cut-and-cover methods.

Over the last 7 years, the District has installed 38,059 linear feet of CIPP from 8-inches diameter through 27-inches diameter. As part of an ongoing program to maintain the life and serviceability of its sewers, this year the District has budgeted \$600,000 for lining projects. We recently lined the 12-inch sewer along 1100 West from 1700 South to 500 South, along with some smaller projects. In 2016, we will finish lining the 1100 West sewer from 500 South to 1200 North. Some of the deterioration in this line is due to discharges from the Silver Eagle refinery. The refinery contributed 80% of the cost of work done to date. They will contribute 50% of the cost of the remaining work. The change in participation is due to the significant flows that enter the 1100 West line at 500 South.

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

### *Treatment Plants*

Both Plants are beyond the 20-year design life of the current rehabilitation/expansion cycle. The District has begun an update of its facilities plan for both plants. This involves a detailed inventory and condition assessment of all plant structures, equipment, systems, and appurtenances. Plant performance is being reviewed and assessed. Demographics have been updated and wastewater flow and strength projections prepared. Plans to update and expand the plants will be proposed along with a financial plan to support needed maintenance and upgrades.

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

In 2015/2016, the District completed an exhaustive evaluation of all electrical equipment to address *arc flash* hazard identification. A hazard assessment of all panels was conducted and panels were labeled as required by NFPA 70. All operations and maintenance personnel participated in a three-day training seminar on arc flash and general electrical safety issues. All safety zones around panels have been marked. Any clearance, access or other issues identified during the evaluation have been corrected.

### *Security*

The United States Environmental Protection Agency (USEPA), National Association of Clean Water Agencies (NACWA), and the Water Environment Federation (WEF) have all put together guidance materials, funded studies, and sponsored seminars to evaluate security issues at wastewater facilities, develop strategies to improve security, and educated the wastewater community on these issues. The District subscribes to this service and to several Internet sources of real time security information. We continue to monitor the literature and will again be participating in several training

sessions this year to ensure that we are addressing this issue adequately. The District recently participated in Homeland sponsored Regional Resilience Assessment Program training.

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

#### *EPA Operating Grant*

For over 10 years, EPA has been studying and working to remediate a groundwater contamination 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 has participated in this study by taking collection system samples and by providing a disposal method for contaminated water produced during the drilling, development, and sampling of monitoring and production wells. EPA has completed construction of production wells and a treatment facility for a pump and treat remediation system.

During this process, EPA and Utah Division of Emergency Response and Remediation became familiar with the District's operation and maintenance capabilities. After some discussion, the District submitted a proposal to EPA. It was subsequently awarded a grant to operate this facility for 10 years. The District's proposal was approximately half the amount that EPA had budgeted. Our four years of operating OU2 has been successful and well within budget.

#### **Risk Management**

For 2014 and 2015, the District's liability insurance is being provided by the Arch Insurance Group. 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 2015 and 2016 is being provided by Utah Workers Compensation Fund. The District's experience modifier is 0.7, a reflection of the District's good claims history. The District is self-insured for unemployment. The District is also self-insured for vehicle casualty except for our very expensive, collection system, cleaning trucks and CCTV units, which are insured with Arch Insurance Group.

The District believes in being very proactive in providing a safe and healthy workplace for its employees. In recent years, we have retained a consultant to provide these services. The approach has generally served our needs but, during the last budget review, it was felt that a fresh approach was needed. We are now providing the necessary management and training in-house. We are also collaborating with other public agencies in providing training. In addition to in-house safety inspections, we are inviting inspections by our liability insurance carrier and Utah OSHA consultation specialists. We are using a consultant to develop the arc flash program mentioned above.

#### **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 for the fiscal year ended December 31, 2014. This was the seventeenth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

At its annual conference in May 2000, the Water Environment Association of Utah (WEAU) awarded the District the Best Operated Plant of the year for both the North Plant in the over 5 mgd category and the South Plant in the under 5 mgd category. Eric Nemcek, South Plant Lead Operator, was awarded the Best Plant Operator for the less than 5 mgd category. Dal D. Wayment, the District's General Manager, was given the Grant K. Borg Extraordinary Service Award. In 2004, Mr. Wayment was awarded the Sidney Bedell award for outstanding service by the Water Environment Federation.

The District was awarded the "Best Collection System over 4 mgd" for 2011 by the Water Environment Association of Utah. The District's Engineer, Matthew Myers, was selected as the "Young Professional of the Year" for 2011 by the Association.

At the 2013, annual meeting of the Utah Water Environment Association Mr. Wayment was awarded the Water Environment Federation William D. Hatfield Award. This award is presented to operators of wastewater treatment plants for outstanding performance and professionalism.

Matthew Myers, the District's engineer has served for several years on the Board of the Water Environment Association of Utah. This year he is serving as the president of the Association.

In 2015, Mark R. Katter our accounting manager was awarded a *Masters of Governmental Accounting*. This is one of the few master's degree programs in the United States in governmental accounting. This degree represents several years of dedicated study by Mr. Katter and we congratulate him on this significant achievement.

The following pages present the District's organizational chart, a listing of the District's Board of Trustees, the District's 2014 meeting schedule, a listing of the employees of the District, a copy of our 2012 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

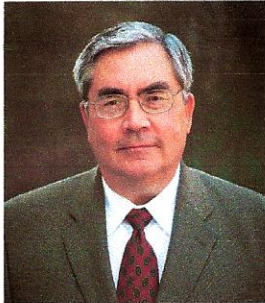
## **Conclusion**

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

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

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

Respectfully submitted,



A handwritten signature in blue ink that reads "Dal D. Wayment".

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



A handwritten signature in blue ink that reads "Mark R. Katter".

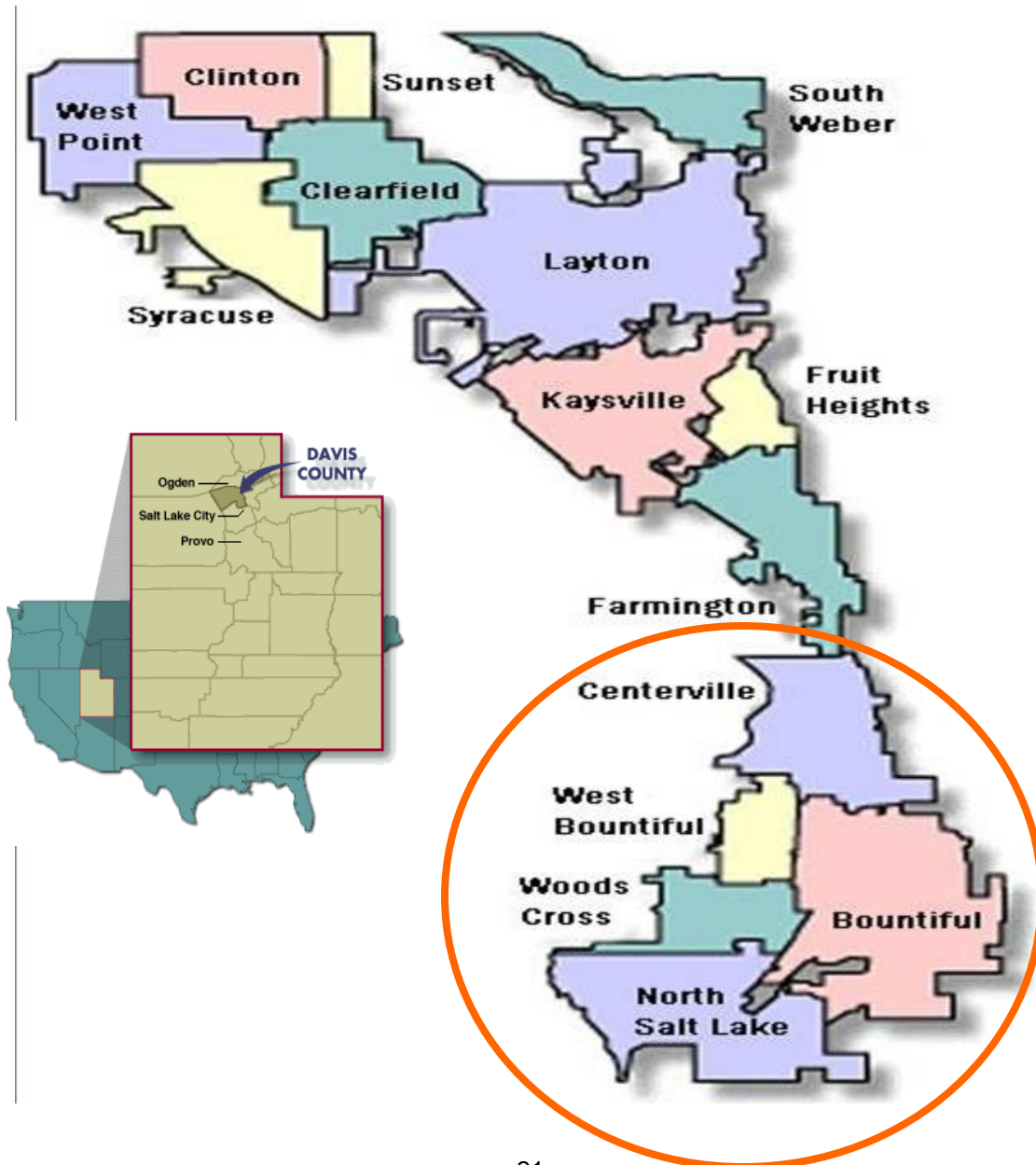
Mark R. Katter  
Accounting Manager/Clerk

**SOUTH DAVIS SEWER DISTRICT**  
Davis County Map  
For the Year Ending December 31, 2015

**Cities Serviced by South Davis Sewer District**

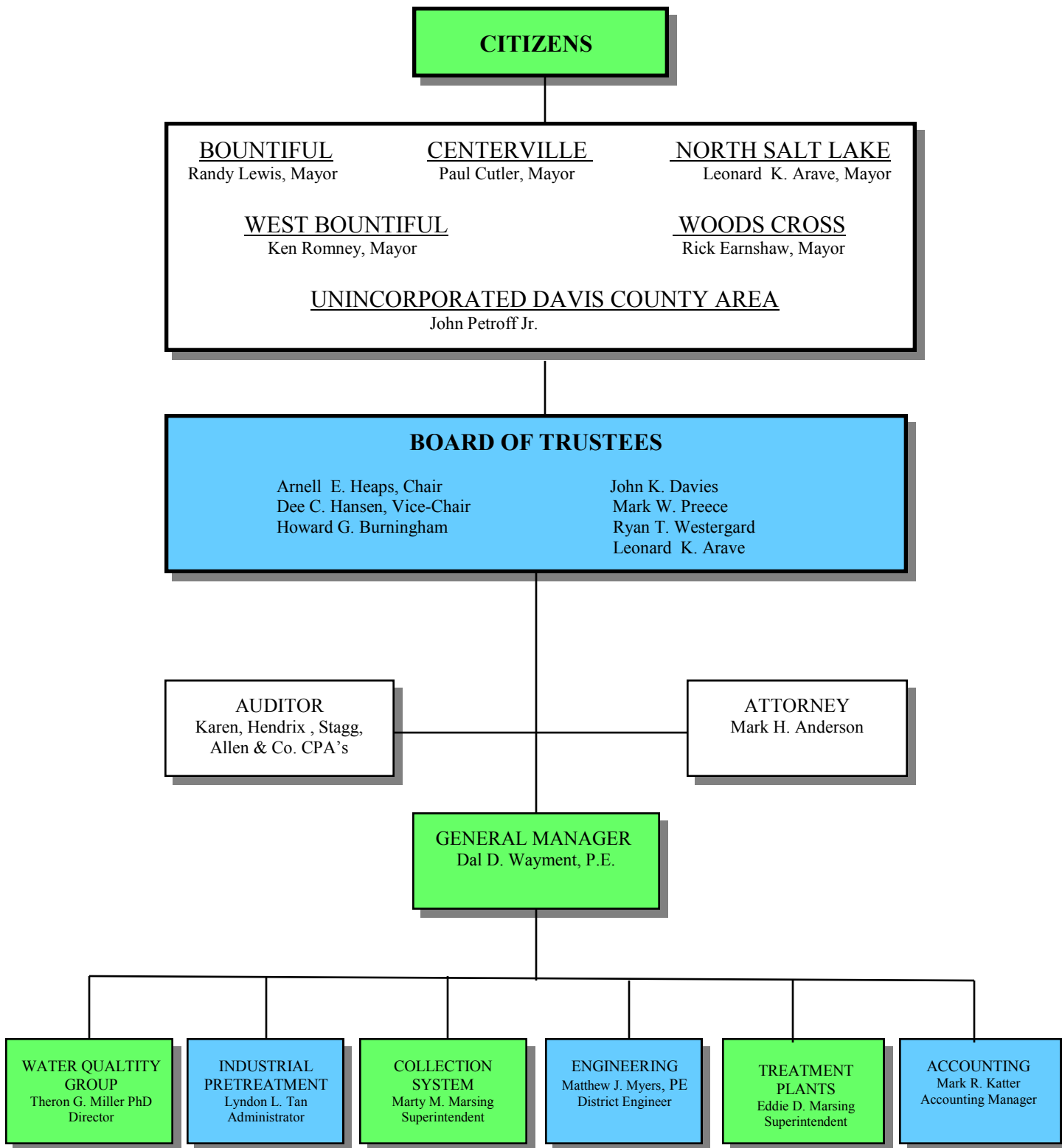
<u>City</u>	<u>Approximate Population (2014)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,819	5.99	May 5, 1915
West Bountiful	5,265	2.96	Dec. 31, 1948
Bountiful	42,552	13.22	Dec. 5, 1892
Woods Cross	9,761	3.76	Sep. 4, 1930
North Salt Lake	16,322	8.45	Sep. 3, 1946
Totals	90,719	34.38	

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





**SOUTH DAVIS SEWER DISTRICT**  
Organizational Chart  
For the Year Ending December 31, 2015



## **SOUTH DAVIS SEWER DISTRICT**

Board of Trustees  
As of December 31, 2015



<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Representing</u></b>	<b><u>Term Expires</u></b>
Dee C. Hansen (Appointed)	Vice-Chair	Centerville City	12/31/2019
Arnell E. Heaps (Appointed)	Chair	Bountiful City	12/31/2016
Howard G. Burningham (Elected)	Trustee	District At Large	12/31/2017
<i>Front Row (Left to Right)</i>			
John K. Davies (Elected)	Trustee	District At Large	12/31/2017
Ryan T. Westergard (Appointed)	Trustee	Woods Cross City	12/31/2016
Leonard K. Arave (Appointed)	Trustee	North Salt Lake City	12/31/2017
Mark W. Preece (Appointed)	Trustee	West Bountiful City	12/31/2016
<i>Back Row (Left to Right)</i>			

Source: District human resource and election records

**SOUTH DAVIS SEWER DISTRICT**  
2016 Meeting Schedule  
Board of Trustees  
December 31, 2015

PUBLIC NOTICE is hereby given that the 2016 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	21st
February	18th
March	17th
April	21st
May	19th
June	16th
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  
Clerk

**SOUTH DAVIS SEWER DISTRICT**  
Full-Time Employees  
For the Year Ending December 31, 2015

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

Source: District Personnel Records

## SOUTH DAVIS SEWER DISTRICT AWARDS

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

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

\*\* Water Environment Federation (WEF/National)



Government Finance Officers Association

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

Presented to

**South Davis Sewer District  
Utah**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



SOUTH HAVEN

# City unsure why the sewer smells

By KRISTIN HAY  
H-P Correspondent

SOUTH HAVEN — The tests have been inconclusive in trying to locate the source of a mysterious odor that has been detected in several downtown South Haven businesses.

Bob Stickland, the director of the city's Board of Public Works, told the City Council in a work-

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

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

Heavy industries, 1990, trend, 1990/91



## Sewage spill kills fish, but water safe to drink

BY JAY ANIRLEY  
Staff Writer

About 1,000 gallons of untreated sewage spilled into Otter Creek from Green Level sewer lines Sunday, but nearby water plant officials say there was no harm to users of the Graham-Melham reservoir, although the "sewer" spill created a fish kill at a pond close to the pump station.

As of Wednesday night, Green Level officials had not yet issued the state-mandated press notifications of the spill and the public works supervisor is reluctant to talk about it.

The town could face a fine from the state division of water quality for the



Darryl Barrett of Wredt Road in







### **Administration & Office Staff**

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

### **Collection System Operators**

Jacob Scott, Shane Fleming, Tyler Nemcek, Curtis Bohman, Carl Trimming, Brandon Rice, Jason Dlugas, Marty Marsing, & David Nelson,



### **Maintenance & Operations Superintendent**

Mike Bradshaw, Zane Young, & Ed Marsing





## Industrial Pretreatment Administrator

Lyndon Tan

## South Treatment Plant Operators

Eric Nemcek, Brent Maxwell,  
& Tim Munden



## North Plant Treatment Operators

Corry King, Steve Rix  
& Earl Seely





**Dr. Theron Miller  
Research Scientist**

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



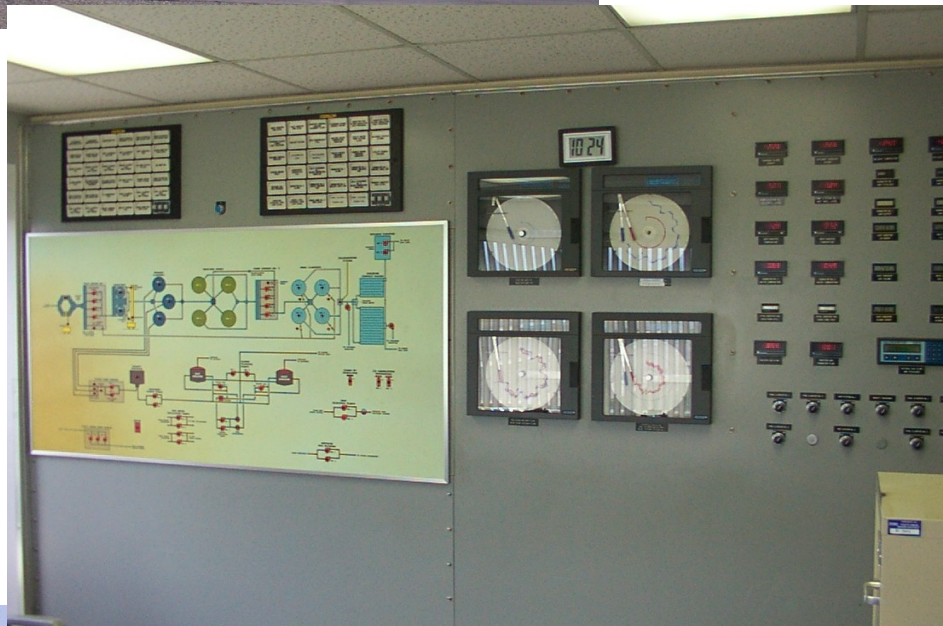
**CPR & First Aid  
Training**





**North Treatment Plant**

**North Treatment Plant  
Operation Control Panel**



**District Office**





**Construction of Legacy Trail Lift Station**

**Education for Future Generations**



**Reviewing Developer Plans**



# FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN  
COMPANY  
A Professional Corporation

Ray H. Allen, CPA  
Rebecca M. Allred  
Robert L. Archuleta, CPA  
Stephen R. Capson, CPA  
Scott J. Hanni, CPA  
Danny L. Hendrix, CPA  
B. Joe Merkley, CPA  
Tim C. Rees, CPA  
Jeffrey N. Ririe, CPA  
G. John Runia, CPA  
R. Ted Stagg, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
South Davis Sewer District  
West Bountiful, Utah

### *Report on the Financial Statements*

We have audited the accompanying financial statements of South Davis Sewer District as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Davis Sewer District as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CERTIFIED PUBLIC ACCOUNTANTS

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Analysis on pages 36-44, Modified Approach for Eligible Infrastructure Assets on pages 62-69 and Schedule of the Proportionate Share of the Net Pension Liability on pages 70-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016 on our consideration of South Davis Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Davis Sewer District's internal control over financial reporting and compliance.



June 20, 2016

**SOUTH DAVIS SEWER DISTRICT**  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended December 31, 2015 and 2014  
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the year ended December 31, 2015 and December 31, 2014, with comparative totals for December 31, 2013. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal in the Introductory Section (Pgs.1-20), and the financial statements and notes (Pgs. 45-61), and the other information which are presented in the Financial and Statistical sections of this Comprehensive Annual Financial Report.

**Financial Highlights**

- The assets of the District exceeded its liabilities (net position) at the end of fiscal year 2015 by \$79,784,151, \$75,924,807 in 2014 and \$73,892,610 in 2013. The majority of the District's assets are invested in capital assets (land, buildings, facilities, sewer lines, and equipment).
- The District's total net position increased by \$3,823,044 (1%) from 2014 to 2015, and increased \$2,032,197 (3%) from 2013 to 2014.
- At the end of the fiscal year 2015, the District's cash, cash equivalents and investments, reported combined ending balances of \$18,796,338; 2014 and 2013 ending balances were \$14,950,344 and \$14,601,123 respectively.
- The District had no outstanding debt during the fiscal year 2015.
- 2015 Impact fee revenue was \$4,572,029, a 427% increase from 2014. Impact fee revenue in 2014 was \$868,201 and for 2013, \$1,029,824. The 2015 impact fee revenue was primarily the result of two major construction developments; Eaglewood Village in North Salt Lake and Holly Refinery in West Bountiful. You can read more about the District's impact fees revenue in the Supplemental Section (Pgs 74-78)
- Interest Income in 2015 came from cash, cash equivalents, and investments totaling \$94,186, a 24% increase from 2014. Interest Income in 2014 and 2013 was \$75,657 and \$81,659 respectively, a 7% decrease.
- Operating revenues for 2015 and 2014 was \$2,762,984 and \$2,742,784 respectively, (1% increase), and \$2,831,258 for 2013 (3% decrease from 2013 to 2014). 2015 operating expenses (less depreciation) increased by 7%, or \$411,375 from 2014. From 2013 to 2014 operating expenses increased 3%

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's financial position. The District's basic financial statements are comprised of the following; 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses and Changes in Net Position 3) the Statement of Cash Flows, 4) notes to the financial statements, 5) required supplementary information, 6) other supplementary information, in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to the private sector business. The basic financial statements and notes can be found on pages 45-61. The District uses an enterprise fund to account for the fiscal activities relating to the collection and treatment of wastewater in South Davis County. An enterprise fund is a proprietary type fund (business type) used by governments to report an activity for which a fee is charged to users for goods or services provided.

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

The *Statement of Revenues, Expenses and Changes in Net Position* information presents how the District's net assets changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise

to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

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

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 50-61 of this report.

The *other information* is additional to the basic financial statements and accompanying notes. These reports present certain *required* and *non-required supplementary information* of the District. The required supplementary and other supplementary information can be found on pages 62-71 and pages 72-78, respectfully.

The *statistical section* provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information. The statistical section can be found on pages 79-116.

### **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, assets exceeded liabilities by \$79,610,361 at the end of the 2015 fiscal year; and \$75,924,807 at the end of the 2014 fiscal year; and \$73,892,610 at the end of the 2013 fiscal year.

The largest portion of the District's net position (77% in 2015, 80% in 2014 and 80% in 2013) reflects its investment in capital assets (e.g. sewer lines, land, buildings and facilities, machinery, and equipment); less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide wastewater services to its customers (citizens). The District's investment in capital assets is reported net of related debt. 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 no outstanding debt for fiscal year 2015.

In 2015, the District's operating revenues decreased by 3%, from \$2,831,258 in 2013 to \$2,742,784 in 2014, and were \$2,651,008 for 2012 (increase of 7% from 2012 to 2013). Operating expenses (less depreciation) increased by 2% or \$124,950 from 2013 to 2014, and decreased by \$165,659 or 3% from 2012 to 2013. Key factors driving these results include:

- Sewer service revenue for 2015 increased 2% compared with year 2014. This primarily resulted from continued growth in the new construction of homes and businesses within the District in 2015. The District has not increased sewer service rates since 1988 and did not increase rates in 2015
- Actual property tax revenue exceeded budget projections by approximately \$345,762 due to District growth and from overall increases in assessed property valuations and a property tax collection rate of 98%.
- Fiscal year 2015 contribution to capital revenue was \$266,362 a decrease of 80% from 2014 (\$1,327,057). 2013 contribution to capital revenue decreased 54% from 2013. 2013 contribution to capital revenue was \$2,871,442. 100% of 2015 contribution to capital revenue came from deeded sewer lines from developers..
- Impact fee revenue was \$4,572,029 in 2015, and \$868,201 in 2014, an increase of 427%; and from 2013 (\$1,029,824) to 2014 decreased 16% (See supplementary information for details, pages 74-78). These impact fees reflect economic recovery for the construction industry. In 2010 impact fee revenue was \$285,462 when the great economic recession was in full swing. In 2015 \$3,702,000 of impact fee revenue came from Holly Refinery for plant expansion, therefore for comparison purposes, 2015 without Holly Refinery's impact fee revenue was \$870,026.
- With the implementation of the *Modified Approach to Accounting for Infrastructure* in 2004, depreciation expense for 2015 and 2014 was \$278,380 and \$342,111 respectively. Depreciation expense for 2013 was \$360,330 The *Modified Approach* will be discussed in greater detail in this report (see required supplemental information section pages 62-69).
- In 2015 and 2014 salaries and benefit expenses increased 3% and 4% respectively, due to a combination of health care costs and cost of living adjustments.

- The 2015 increase in operating expenses was 6% (less depreciation) compared to 2014. This essentially was the result of higher costs from outside services, utilities, chemicals, health care coverage, and an increase in retirement funding.

**South Davis Sewer District  
Condensed Statement of Net Position  
2015-2014**

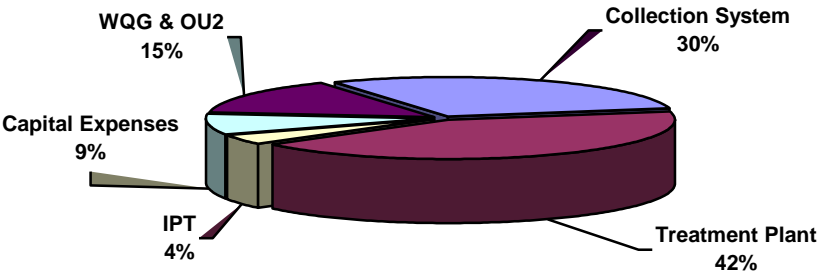
	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Current and Other Assets	\$ 19,562,221	\$ 15,739,177	\$ 3,823,044	24%
Restricted Assets	0	0	-	
Capital and Noncurrent Assets	61,735,456	60,919,692	815,764	1%
Total Assets	\$ 81,297,677	\$ 76,658,869	\$ 4,638,808	6%
Deferred Outflows of Resources	361,388			
Total Assets & Deferred Outflows of Resources	\$ 81,659,065			
Current Liabilities	403,320	330,507	72,813	22%
Long Term Liabilities	1,343,615	403,555	940,060	233%
Total Liabilities	\$ 1,746,935	\$ 734,062	1,012,873	138%
Deferred Inflows of Resources	127,979	\$ -	127,979	
Total Liabilities & Deferred Inflows of Resources	\$ 1,874,914	\$ 734,062	\$ 1,140,852	155%
Net Position:				
Invested in capital assets, (net of related debt)	\$ 61,660,782	\$ 60,838,477	822,305	1%
Restricted	0	0	-	
Unrestricted	18,123,369	15,086,330	3,037,039	20%
Total Net Position	\$ 79,784,151	\$ 75,924,807	\$ 3,859,344	5%

**South Davis Sewer District  
Condensed Statement of Net Position  
2014-2013**

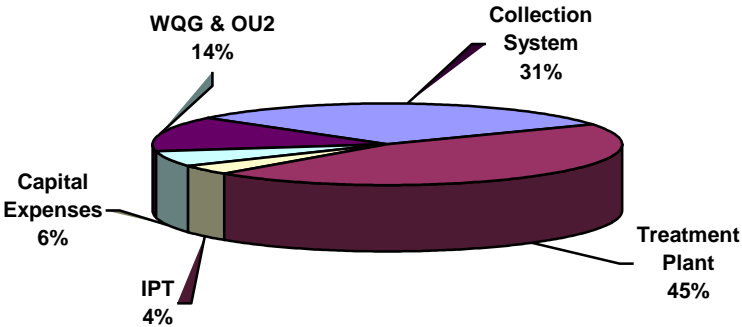
	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
Current and Other Assets	\$ 15,820,392	\$ 15,524,487	\$ 295,905	2%
Restricted Assets	0	0		
Capital Assets and Noncurrent Assets	60,838,477	59,235,406	1,603,071	3%
Total Assets	\$ 76,658,869	74,759,893	\$ 1,898,976	3%
Deferred Outflows of Resources				
Total Assets & Deferred Outflows of Resources	\$ 76,658,869	74,759,893	1,898,976	
Current Liabilities	330,507	486,103	(155,596)	-32%
Long Term Liabilities	403,555	381,180	22,375	6%
Total Liabilities	\$ 734,062	867,283	(133,221)	-15%
Deferred Inflows of Resources	-			
Total Liabilities and Deferred inflows of Resources	\$ 734,062	\$ 867,283	\$ (133,221)	
Net Position:				
Invested in capital assets, (net of related debt)	\$ 60,838,477	59,235,406	1,603,071	3%
Restricted	0	0		
Unrestricted	15,086,330	14,657,204	429,126	3%
Total Net Position	\$ 75,924,807	\$ 73,892,610	\$ 2,032,197	3%



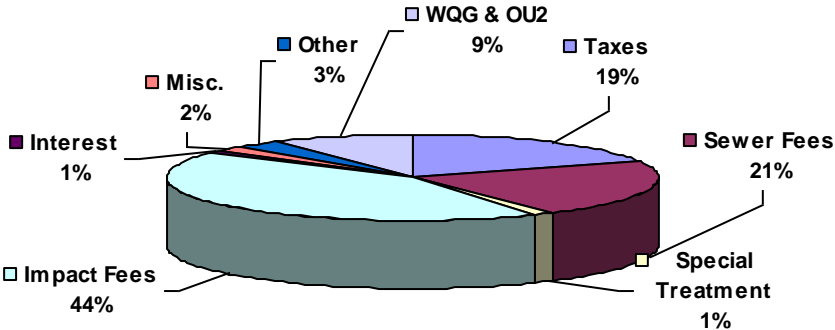
### Expenses by Department 2015



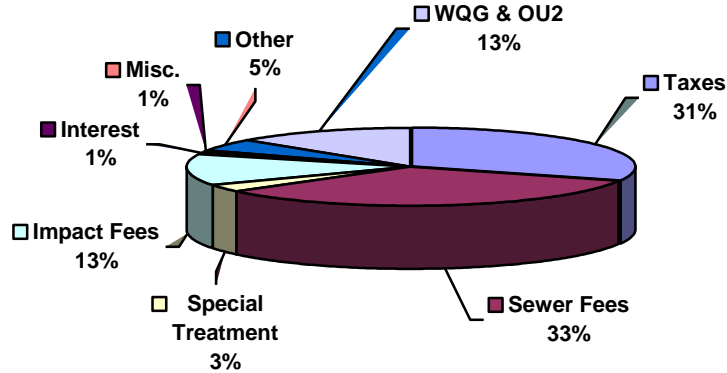
### Expenses by Department 2014



### Revenue by Source 2015



### Revenues by Source 2014



### SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2015-2014

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
<b>Operating Revenues:</b>				
Sewer Service Fees	\$ 2,266,210	\$ 2,235,118	\$ 31,092	1%
Special Treatment Fees	180,779	213,554	(32,775)	-15%
Inspection & Project Fees	20,470	40,200	(19,730)	-49%
Other	295,526	253,912	41,614	16%
<b>Total Operating Revenues</b>	<b>2,762,985</b>	<b>2,742,784</b>	<b>20,201</b>	<b>1%</b>
<b>Operating Expenses:</b>				
Operating Expenses	2,615,468	2,306,561	308,907	13%
Salaries & Benefits	3,320,101	3,225,839	94,262	3%
Depreciation	278,380	342,111	(63,731)	-19%
<b>Total Operating Expenses</b>	<b>6,213,949</b>	<b>5,874,511</b>	<b>339,438</b>	<b>6%</b>
<b>Non-Operating Revenue (Expense)</b>				
General Property Tax	2,208,762	2,078,046	130,716	6%
Impact Fees	4,572,029	868,201	3,703,828	427%
Miscellaneous	140,865	113,190	27,675	24%
Interest Income	94,186	75,657	18,529	24%
WQG Contributions & EPA Grant	785,000	600,000	185,000	31%
Gain (Loss) on Disposal of Property	33,603	104,325	(70,722)	-68%
Unrealized gain (loss) on investments	(14,326)	(2,552)	(11,774)	100%
<b>Total Non-Operating Revenue (Expense)</b>	<b>7,820,119</b>	<b>3,836,867</b>	<b>3,983,252</b>	<b>104%</b>
Increase in Net Position Before Capital Contributions	4,369,155	705,140	3,664,015	520%
Contributed Capital	266,362	1,327,057	(1,060,695)	-80%
<b>Increase in Net Position</b>	<b>4,635,517</b>	<b>2,032,197</b>	<b>2,603,320</b>	<b>128%</b>
Net Position at Beginning of Year	75,924,807	73,892,610	2,032,197	3%
Prior Period Adjustment	(776,173)	-	(776,173)	
<b>Net Position at End of Year</b>	<b>\$ 79,784,151</b>	<b>\$ 75,924,807</b>	<b>\$ 3,859,344</b>	<b>5%</b>

7

**SOUTH DAVIS SEWER DISTRICT**  
**Revenues, Expenses, and Changes in Net Position**  
**2014-2013**

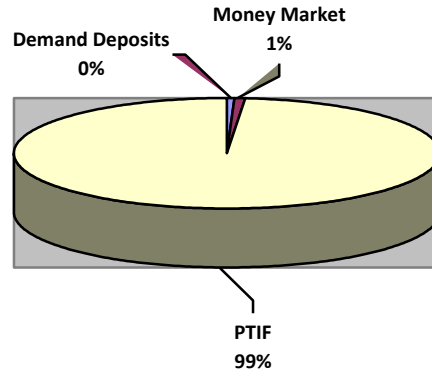
	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
<b>Operating Revenues:</b>				
Sewer Service Fees	\$ 2,235,118	\$ 2,188,651	\$ 46,467	2%
Special Treatment Fees	213,554	255,804	(42,250)	-17%
Inspection & Project Fees	40,200	52,460	(12,260)	-23%
Other	253,912	334,343	(80,431)	-24%
<b>Total Operating Revenues</b>	<b>2,742,784</b>	<b>2,831,258</b>	<b>(88,474)</b>	<b>-3%</b>
<b>Operating Expenses:</b>				
Operating Expenses	2,306,561	2,292,602	13,959	1%
Salaries & Benefits	3,225,839	3,114,848	110,991	4%
Depreciation	342,111	360,330	(18,219)	-5%
<b>Total Operating Expenses</b>	<b>5,874,511</b>	<b>5,767,780</b>	<b>106,731</b>	<b>2%</b>
<b>Non-Operating Revenue (Expense)</b>				
General Property Tax	2,078,046	2,119,222	(41,176)	-2%
Impact Fees	868,201	1,029,824	(161,623)	-16%
Miscellaneous	113,190	175,989	(62,799)	-36%
Interest Income	75,657	81,659	(6,002)	-7%
WQG Contributions & EPA Grant	600,000	619,418	(19,418)	100%
Gain (Loss) on Disposal of Property	104,325	43,625	60,700	139%
Unrealized gain (loss) on investments	(2,552)	(6,336)	3,784	
<b>Total Non-Operating Revenue (Expense)</b>	<b>3,836,867</b>	<b>4,063,401</b>	<b>(226,534)</b>	<b>-6%</b>
Increase in Net Position Before Capital Contributions	705,140	1,126,879	(421,739)	-37%
Contributed Capital	1,327,057	2,871,442	(1,544,385)	-54%
<b>Increase in Net Position</b>	<b>2,032,197</b>	<b>3,998,321</b>	<b>(1,966,124)</b>	<b>-49%</b>
Net Position at Beginning of Year	73,892,610	69,820,595	4,072,015	6%
Prior Period Adjustment	-	73,694		
<b>Net Position at End of Year</b>	<b>\$ 75,924,807</b>	<b>\$ 73,892,610</b>	<b>\$ 2,032,197</b>	<b>3%</b>

### 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 the safety, liquidity, and yield provided by the PTIF is a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rate paid by the PTIF for 2015 and 2014 was .593 % and .492%, respectfully (21% Increase). Interest rates have been at historic lows since the Great Recession beginning in 2009. A ten year history of the PTIF interest rates is found in the statistical section on page 101.

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

### Cash & Cash Equivalents 2015



The net interest (the difference between interest income and interest expense) earned for 2015 was \$94,186, a 24% Increase compared to the 2014 net interest earned of \$75,845. This increase was the result of higher interest rates and larger fund balances in the PTIF investment.

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

### Capital Assets

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

As of December 31, 2015, the District had \$78,589,869 (historical cost) in capital assets. This represents a net increase of 1% over 2014 and a 3% increase from 2013 to 2014 as shown in the tables below:

### Property and Equipment (excluding depreciation) 2015-2014 and 2014-2013

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Land	\$ 3,148,863	\$ 3,148,863	\$ -	0%
Buildings & Facilities	24,297,371	24,291,752	5,619	0%
Outfall/Sewer Lines	45,564,968	45,075,814	489,154	1%
Equipment	5,492,793	4,946,582	546,211	11%
Construction in Progress	85,874	102,774	(16,900)	-16%
Total	\$ 78,589,869	\$ 77,565,784	\$ 1,024,085	1%

	Fiscal Year 2014	Fiscal Year 2013	Dollar Change	Percent Change
Land	\$ 3,148,863	\$ 2,641,532	\$ 507,331	19%
Buildings & Facilities	24,291,752	23,223,160	1,068,592	5%
Outfall/Sewer Lines	45,075,814	43,781,677	1,294,137	3%
Equipment	4,946,582	5,071,231	(124,649)	-2%
Construction in Progress	102,774	659,224	(556,450)	-84%
Total	\$ 77,565,784	\$ 75,376,824	\$ 2,188,960	3%

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

- Contributed sewer lines from developers at a cost of \$266,362.
- Completion of the Legacy Trails lift station (Formally Evergreen) at a cost of \$161,175.73
- Purchase GapVax Jet Washer at a cost of \$361,105
- Upgrade of GIS system at a cost of \$70,776
- Purchase and installation of Power Ridge T630 computer server at a cost of \$20,235.

The District spent \$313,447 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2015. Studies have shown for every dollar of preventative maintenance spent in the first 10 years of an asset, you 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.

2015 capital asset additions included:

Sewer Lines	\$502,304
Buildings, Facilities & Lines	5,619
Equipment	852,544
Construction -In-Progress	8,295
<b>Total</b>	<b><u>\$1,368,762</u></b>

Additional information on the District's capital assets can be found in note 6 on page 56, in the required supplemental information on pages 62-69, and on pages 106-111 in the statistical section of this report.

### **Debt Administration**

The District's 2003 revenue bond matured, refunded, and was settled in fiscal year 2008. Since fiscal year 2008, the District had no short-term or long-term debt to service.

### **Modified Approach to Accounting for Infrastructure**

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

The target levels of service are a rating between 1 and 3. Funds totaling \$1,260,000 were budgeted in 2015 to rehabilitate and correct those identified deficiencies in the collection and plant systems. The District has always budgeted significant funds for this purpose. Additional information about the modified approach can be found in the required supplementary information on pages 62-69 of this report.

### **Economic Factors, Next Year's (2016) Budgets, and Rates**

- The operating and maintenance costs (O&M) of the District are currently being covered by the existing user fees and property taxes. No rate increase, tax increase, or debt issuance are projected for 2016. \$2,101,000 has been budgeted in 2016 for the construction, acquisition and rehabilitation/preservation of capital assets.
- One financial indicator of the District's financial health is the debt to asset ratio. This can be found on page 92 in the statistical section. The District has no debt and has sufficient cash reserves for capital improvements and/or small scale emergencies.
- Davis County property tax assessment values for 2016 are projected to increase 5% according to the Davis County Assessor's office. \$1,868,000 has been budgeted for property tax revenue for 2016.
- Sewer service revenue of \$2,525,000 has been budgeted for 2016.
- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have slightly decreased and have leveled off in 2015. Interest rates are projected to remain at record lows for 2016

- \$911,000 has been budgeted for sewer line rehabilitations and spot repairs including \$770,000 for cured in place pipe (CIPP) projects. \$1,432,000 has been budgeted for both treatment plant preservation and rehabilitation, and \$350,000 is budgeted for the green energy project (heat and power).
- \$700,000 has been budgeted for the design and building of Phase I of resource recovery project.
- No sewer service rate increase or property tax increase is projected for 2016.

### **Audit Committee**

The District has an audit committee that consists of three members of the District's Board of Trustees. The primary purpose of the audit committee is to provide financial oversight for the financial reporting and auditor's activities to help strengthen accountability, reliability, integrity and transparency in District.

### **Requests for Information**

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

# **SOUTH DAVIS SEWER DISTRICT**

## **Basic Financial Statements**

**For The Fiscal Year Ended December 31, 2015 and 2014**





# SOUTH DAVIS SEWER DISTRICT

## Statements of Net Position December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,796,338	\$ 14,950,344
Accounts receivable:		
Sewer service charges	97,373	103,627
Sewer service charges certified to county treasurer	55,371	61,373
Special treatment charges	9,678	9,662
Other	149,275	108,423
Accrued property taxes receivable	426,442	449,870
Accrued interest	1,849	1,282
Inventory of construction and maintenance materials	11,312	12,924
Prepaid expenses	14,583	41,672
TOTAL CURRENT ASSETS	<u>19,562,221</u>	<u>15,739,177</u>
NONCURRENT ASSETS:		
Capital assets:		
Nondepreciable capital assets	59,461,635	58,979,315
Depreciable capital assets, net	2,199,147	1,859,162
Reimbursable costs	74,432	81,215
Net pension asset	242	-
TOTAL NONCURRENT ASSETS	<u>61,735,456</u>	<u>60,919,692</u>
TOTAL ASSETS	<u>81,297,677</u>	<u>76,658,869</u>
DEFERRED OUTFLOWS OF RESOURCES:	<u>361,388</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 81,659,065</u></u>	<u><u>\$ 76,658,869</u></u>

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

# SOUTH DAVIS SEWER DISTRICT

## Statements of Net Position December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u></b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 244,649	\$ 175,144
Accrued salaries & wages	70,881	57,197
Accrued payroll taxes	18,585	15,161
Performance deposits and retainage	44,205	63,005
Current portion of accrued compensated absences	25,000	20,000
TOTAL CURRENT LIABILITIES	<u>403,320</u>	<u>330,507</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	450,097	403,555
Net pension liability	893,518	-
TOTAL NONCURRENT LIABILITIES	<u>1,343,615</u>	<u>403,555</u>
TOTAL LIABILITIES	<u>1,746,935</u>	<u>734,062</u>
DEFERRED INFLOWS OF RESOURCES:	<u>127,979</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCE:	<u><u>\$ 1,874,914</u></u>	<u><u>\$ 734,062</u></u>
NET POSITION:		
Investment in capital assets	\$ 61,660,782	\$ 60,838,477
Restricted	-	-
Unrestricted	<u>18,123,369</u>	<u>15,086,330</u>
Total net position	<u><u>\$ 79,784,151</u></u>	<u><u>\$ 75,924,807</u></u>

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

# SOUTH DAVIS SEWER DISTRICT

## Statements of Revenues, Expenses and Changes in Fund Net Position For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Sewer service charges	\$ 2,266,210	\$ 2,235,118
Sewer special treatment charges	180,779	213,554
Inspection, and project fees	20,470	40,200
Other operating revenues	<u>295,526</u>	<u>253,912</u>
TOTAL OPERATING REVENUES	<u>2,762,985</u>	<u>2,742,784</u>
OPERATING EXPENSES:		
Personal services	3,320,101	3,225,839
Contractual services	606,946	506,850
Utilities	325,895	315,598
Repairs and maintenance	1,190,680	964,814
Other supplies and expenses	382,743	408,753
Insurance claims and expenses	109,204	110,546
Depreciation	<u>278,380</u>	<u>342,111</u>
TOTAL OPERATING EXPENSES	<u>6,213,949</u>	<u>5,874,511</u>
OPERATING LOSS	<u>(3,450,964)</u>	<u>(3,131,727)</u>
NONOPERATING REVENUES AND (EXPENSES):		
General property tax	2,208,762	2,078,046
Intergovernmental contributions	785,000	600,000
Impact fees	4,572,029	868,201
Miscellaneous revenue	140,865	113,190
Interest income	94,186	75,657
Unrealized gain (loss) on investments	(14,326)	(2,552)
Gain (loss) on sale of plant equipment	<u>33,603</u>	<u>104,325</u>
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>7,820,119</u>	<u>3,836,867</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,369,155	705,140
DEVELOPER CONTRIBUTED SEWER LINES	<u>266,362</u>	<u>1,327,057</u>
CHANGE IN NET POSITION	\$ 4,635,517	\$ 2,032,197
NET POSITION - BEGINNING OF THE YEAR	<u>75,924,807</u>	<u>73,892,610</u>
Prior period adjustment	(776,173)	-
NET POSITION - END OF THE YEAR	<u><u>\$ 79,784,151</u></u>	<u><u>\$ 75,924,807</u></u>

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

# SOUTH DAVIS SEWER DISTRICT

## Statements of Cash Flows For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,425,160	\$ 2,493,692
Payments to suppliers of goods and services	(2,517,262)	(2,446,834)
Payments to employees for services	(3,367,757)	(3,191,102)
Other receipts	315,996	294,112
NET CASH USED IN OPERATING ACTIVITIES	<u>(3,143,863)</u>	<u>(2,850,132)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,232,190	2,081,987
Intergovernmental contributions	925,865	713,190
Impact fees collected	4,572,029	868,201
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>7,730,084</u>	<u>3,663,378</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	276,485	360,318
Purchase of capital assets	(1,077,205)	(874,118)
Receipt of performance deposits and retainages	15,000	30,900
Refund of performance deposits and retainages	(33,800)	(54,300)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(819,520)</u>	<u>(537,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received	79,293	73,175
NET CASH PROVIDED IN INVESTING ACTIVITIES	<u>79,293</u>	<u>73,175</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,845,994	349,221
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>14,950,344</u>	<u>14,601,123</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 18,796,338</u></u>	<u><u>\$ 14,950,344</u></u>

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

# SOUTH DAVIS SEWER DISTRICT

## Statements of Cash Flows, Continued For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (3,450,964)	\$ (3,131,727)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	278,380	342,111
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	6,254	10,746
Sewer service charges certified to county treasurer	6,002	6,020
Special treatment charges	(16)	(918)
Other	(40,852)	24,860
Inventory of construction and maintenance materials	1,612	2,345
Prepaid expenses	27,089	1,940
Reimbursed costs	6,783	4,312
Net pension asset	(242)	-
Deferred outflows of resources	(50,260)	-
Increase (decrease) in:		
Accounts payable	69,505	(144,558)
Accrued payroll	13,684	6,620
Accrued payroll taxes	3,424	1,742
Accrued compensated absences	51,542	26,375
Net pension liability	(193,783)	-
Deferred inflows of resources	127,979	-
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (3,143,863)</u>	<u>\$ (2,850,132)</u>

### NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

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

	<u>\$ 266,362</u>	<u>\$ 1,327,057</u>
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# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of South Davis Sewer District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

#### A. Financial Reporting Entity

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

#### B. Measurement Focus and Basis of Accounting

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

#### C. Operating and Non-operating Revenue and Expenses

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

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

#### D. Net Position

The District's net position is classified as follows:

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

#### E. Restricted and Unrestricted resources

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

#### F. Statement of Cash Flows

The District complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The District's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The District's investment in the State Treasurer's Pool has a fair value

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements, the District considers all highly liquid investments, (including restricted assets) that mature within ninety days or less when purchased, to be cash equivalents.

### G. Budgetary Accounting

Items budgeted, but not expended, are not carried over to succeeding years. Budgeted items must be re-appropriated each year. The budgetary report is reconciled to the basic financial statements (GAAP basis) as noted in the other supplementary information found on pages 72 to 73. The District is required by state statute to adopt a budget prior to the beginning of each fiscal year. The District prepares and reports its budget on a basis consistent with GAAP with the following exceptions:

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

### H. Allowance for Doubtful Accounts

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

### I. Capital Assets

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

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

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

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

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



# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

### J. Interest Capitalization

The District follows Financial Accounting Standards Board Standards concerning the capitalization of interest for qualifying assets. For the years ended December 31, 2015 and 2014, no interest was capitalized.

### K. Inventory Valuation

Inventory is stated at the lower of cost or market on a first-in, first-out ("FIFO") basis.

### L. Contributed Capital

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

### M. Use of Estimates in the Preparation of Financial Statements

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in computing property tax revenues and amounts receivable from the Davis County Treasurer for property taxes receivable. It is at least reasonably possible that the significant estimates used will change within the next year.

### N. Bond Issue Costs

Bond issue costs are recorded as an asset and amortized over the life of the related bonds. Amortization is computed on the straight-line method, which approximates the effective interest method.

### O. Risk Management

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

### P. Pensions

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

## 2. PROPERTY TAX CALENDAR

The District's property tax calendar is as follows:

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

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

### 3. REIMBURSABLE COSTS

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

### 4. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### A. Deposits

	2015	2014
Cash on deposit	\$ 141,735	\$ 223,844
Cash on hand	725	725
TOTAL	<u>\$ 142,460</u>	<u>\$ 224,569</u>

**Custodial Credit Risk:** Custodial credit risk 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 deposit policy for custodial credit risk. As of December 31, 2015 and 2014, the District's insured and uninsured and uncollateralized bank balances were as follows:

	2015	2014
Carrying amount (book balance)	<u>\$ 141,735</u>	<u>\$ 223,844</u>
Bank balance:		
Covered by FDIC insurance	\$ 232,274	\$ 250,000
Uninsured and uncollateralized	<u>-</u>	<u>26,702</u>
TOTAL BANK BALANCE	<u>\$ 232,274</u>	<u>\$ 276,702</u>

#### B. Investments

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

paper classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard and Poor’s; bankers’ acceptances, obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

As of December 31, 2015 and 2014 the District had the following investments and maturities:

### December 31, 2015

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's Investment Fund (PTIF)	18,654,603	18,654,603	-	-	-
Total investments	<u>\$ 18,654,603</u>	<u>\$ 18,654,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### December 31, 2014

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's Investment Fund (PTIF)	14,685,774	14,685,774	-	-	-
Total investments	<u>\$ 14,685,774</u>	<u>\$ 14,685,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270–365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

**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 State's Money Management Act as previously discussed.

The District had the following investments and quality ratings as of December 31, 2015 and 2014:

<u>December 31, 2015</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>"A"</u>	<u>"B"</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	18,654,603			18,654,603
Total investments	<u>\$ 18,654,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,654,603</u>

<u>December 31, 2014</u>				
<u>Investment Type</u>	<u>Fair Value</u>	<u>"A"</u>	<u>"B"</u>	<u>Unrated</u>
Utah Public Treasurer's Investment Fund (PTIF)	14,685,774			14,685,774
Total investments	<u>\$ 14,685,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,685,774</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 reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

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

### 5. COMPENSATED ABSENCES

The District's employee benefits policy allows employees to accumulate benefits for unused compensated, vacation, and sick leave time to be paid upon termination or retirement. The total accrued compensated absences as of December 31, 2015 and 2014 are \$475,097 and \$423,555, respectively. The estimated current portion of accrued compensated absences as of December 31, 2015 and 2014 are \$25,000 and \$20,000, respectively.

<u>December 31, 2015</u>				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Compensated Absences	<u>\$ 423,555</u>	<u>\$ 225,000</u>	<u>\$ (173,458)</u>	<u>\$ 475,097</u>

<u>December 31, 2014</u>				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Compensated Absences	<u>\$ 397,180</u>	<u>\$ 223,223</u>	<u>\$ (196,848)</u>	<u>\$ 423,555</u>

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

### 6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2015, are as follows:

	<u>12/31/2014</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2015</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ -	\$ 3,148,863
Construction in progress	102,774	8,295	(25,195)	85,874
Infrastructure:				
Sewer treatment facility and collection system	69,367,565	507,923	(13,149)	69,862,339
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,639,887)	(8,703)	13,149	(13,635,441)
Total nondepreciable capital assets	<u>58,979,315</u>	<u>507,515</u>	<u>(25,195)</u>	<u>59,461,635</u>
Depreciable capital assets:				
Machinery and equipment	1,555,143	108,704	-	1,663,847
Mobile equipment	3,127,436	652,829	(306,333)	3,473,932
Office furniture and equipment	264,003	91,011	-	355,014
Total depreciable capital assets at historical cost	<u>4,946,582</u>	<u>852,544</u>	<u>(306,333)</u>	<u>5,492,793</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,117,947)	(101,483)	-	(1,219,430)
Mobile equipment	(1,513,360)	(161,604)	63,450	(1,611,514)
Office furniture and equipment	(456,113)	(6,589)	-	(462,702)
Total accumulated depreciation	<u>(3,087,420)</u>	<u>(269,676)</u>	<u>63,450</u>	<u>(3,293,646)</u>
Depreciable capital assets, net	<u>1,859,162</u>	<u>582,868</u>	<u>(242,883)</u>	<u>2,199,147</u>
Total capital assets, net	<u>\$ 60,838,477</u>	<u>\$ 1,090,383</u>	<u>\$ (268,078)</u>	<u>\$ 61,660,782</u>

The changes in capital assets for the year ended December 31, 2014, are as follows:

	<u>12/31/2013</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2014</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ -	\$ 3,148,863
Construction in progress	659,224	43,232	(599,682)	102,774
Infrastructure:				
Sewer treatment facility and collection system	67,004,838	2,362,727	-	69,367,565
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,636,681)	(3,206)	-	(13,639,887)
Total nondepreciable capital assets	<u>57,176,244</u>	<u>2,402,753</u>	<u>(599,682)</u>	<u>58,979,315</u>
Depreciable capital assets:				
Machinery and equipment	1,403,471	151,672	-	1,555,143
Mobile equipment	3,409,203	237,780	(519,547)	3,127,436
Office furniture and equipment	258,557	5,446	-	264,003
Total depreciable capital assets at historical cost	<u>5,071,231</u>	<u>394,898</u>	<u>(519,547)</u>	<u>4,946,582</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,007,502)	(110,445)	-	(1,117,947)
Mobile equipment	(1,565,228)	(211,686)	263,554	(1,513,360)
Office furniture and equipment	(439,339)	(16,774)	-	(456,113)
Total accumulated depreciation	<u>(3,012,069)</u>	<u>(338,905)</u>	<u>263,554</u>	<u>(3,087,420)</u>
Depreciable capital assets, net	<u>2,059,162</u>	<u>55,993</u>	<u>(255,993)</u>	<u>1,859,162</u>
Total capital assets, net	<u>\$ 59,235,406</u>	<u>\$ 2,458,746</u>	<u>\$ (855,675)</u>	<u>\$ 60,838,477</u>

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

### 7. IMPACT FEES

The District collects connection fees that are defined as impact fees. The District must expend these impact fees on capital expenditures relating to the infrastructure of the District. The District had impact fee reserves of \$-0- at December 31, 2015 and 2014, respectively. Revenues from impact fees were \$4,572,029 and \$868,201 for the year ended December 31, 2015 and 2014, respectively.

### 8. GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the state Legislature. The Utah State Retirement Office Act in title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefits terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or visiting the website: [www.urs.org](http://www.urs.org).

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

#### Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible For Benefit	Benefit Percentage Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 Years any age 25 Years any age* 20 Years age 60* 10 Years age 62* 4 Years age 65	2% per year all years	Up to 4%
Contributory System	Highest 5 years	30 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 Years any age 20 Years any age 60* 10 Years any age 62* 4 Years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial reductions

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

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

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

### Utah Retirement Systems

	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
Contributory System			
11 - Local Governmental Division Tier 1	N/A	6.000%	14.460%
111 - Local Governmental Division Tier 2	N/A	N/A	14.910%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

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

At December 31, 2014, we reported a new pension asset of \$242 and a net pension liability of \$893,518.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.1714837%	\$ -	\$ 744,623
Contributory System	0.5132013%	-	148,895
Tier 2 Public Employees System	0.0079996%	242	-
Total Net Pension Asset/Liability		<u>\$ 242</u>	<u>\$ 893,518</u>

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the Plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$222,314. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 46,993
Changes in assumptions	-	80,986
Net difference between projected and actual earnings on pension plan investments	<u>23,698</u>	<u>-</u>
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>337,690</u>	<u>-</u>
Total	<u><u>\$ 361,388</u></u>	<u><u>\$ 127,979</u></u>

\$337,690 was reported as deferred outflows of resources related to pension's results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (43,615)
2016	(25,409)
2017	(17,972)
2018	(17,018)
2019	(42)
Therafter	(223)

Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 - 10.50 Percent, average, including inflation
Investment rate of return	7.50 Percent, net of pension plan investment expense, including inflation

# SOUTH DAVIS SEWER DISTRICT

## Notes to Financial Statements For the Years Ended December 31, 2015 and 2014

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below:

### Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

*EDUM = Constructed mortality table based on actual experience of male educators multiplied by given*

*EDUF = Constructed mortality table based on actual experience of female educators multiplied by given*

*RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by*

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7/50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit

# **SOUTH DAVIS SEWER DISTRICT**

## **Notes to Financial Statements For the Years Ended December 31, 2015 and 2014**

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.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate share of Net pension (asset)/liability	\$ 2,211,670	\$ 893,276	\$ (206,559)

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

# REQUIRED SUPPLEMENTAL INFORMATION



**SOUTH DAVIS SEWER DISTRICT**  
Modified Approach for Eligible Infrastructure Assets  
For the Year Ended December 31, 2015

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 a significantly number of years greater than other capital assets. The District's major infrastructure system consists of the collection system and treatment plant facilities and can be divided into subsystems such as trunk lines, collection lines, manholes, lift stations, plant facilities, and other appurtenances. Subsystem detail is not presented in the basic financial statements. However, the District maintains detailed information on these subsystems.

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

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

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

The District makes use of a physical condition assessment of its collection system and treatment plant facilities beginning 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 2012 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 369.81 miles (1,952,581 feet) of sewer lines, 8,664 sections of line, 8,565 manholes, 11 lift stations, and 2 treatment plant facilities, which collect and treat up to 16 million gallons per day (MGD) of wastewater.

Approximately 17% of the District's collection system was cleaned and 10% was inspected by closed circuit television (CCTV) in 2015. (See Collection System GIS, TV and Cleaning Maps at the end of this section).

The District expended \$313,447 on rehabilitation and replacement of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2015. These expenses add service life to the 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, you save \$4-5 over the second 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 in 2015 performed 27 CIPP on sewer lateral lines, for a total cost of \$14,535.

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

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

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

In 2015, the District performed 660 condition assessments of line segments for the collection system, calculated in accordance with GASB Statement No. 34 guideline. The District also performed an assessment of both treatment plant facilities, 2,350 manholes and 11 lift stations. The condition assessment of the 915 line segments identified 18 deficiencies in line segments and 32 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 2014. One deficiency at both treatment plants were identified in the Cogeneration systems. The Cogeneration 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 Cogeneration (Cogen) systems have been taken out of service due to problems with Siloxane and digester gas, and will remain out of service until a cost effective solution is found. The condition of the Cogen facility itself is excellent (1).

The next condition assessment sample is scheduled for 2017

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

2004	\$814,888
2005	\$595,568
2006	\$435,702
2007	\$471,711
2008	\$806,130
2009	\$636,685
2010	\$1,178,413
2011	\$728,027
2012	\$639,754
2013	\$653,441
2014	\$313,447
2015	\$515,366

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030, is estimated to be \$714,977 per year. This figure was arrived at by taking the average expenditures from 2004 to 2015 and adding 1.5% for inflation (\$649,094\*1.015).

Funds totaling \$2,459,000 are budgeted for fiscal year 2016 for the continued preservation and rehabilitation of the District's infrastructure assets and are allocated as follows:

\$1,260,000	Collection System
\$1,199,000	Plant & Equipment Building

The District expended \$515,366 on repairs, maintenance, rehabilitation and other preservation cost of the collection system, lift stations, and treatment plant facilities (infrastructure assets) for the year ended December 31, 2015

The amount estimated to achieve the minimal target conditional assessment was \$714,977 for 2015, the actual cost was \$515,366. The collection system employees performed most of the repairs, maintenance, and rehabilitation and other preservation costs, therefore lowering the actual expenses.

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

Maintenance and preservation costs allow an asset to continue and extend its useful life beyond the original estimated useful life, and provide service indefinitely.



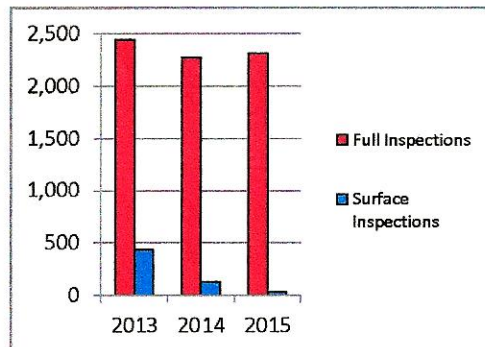
## SOUTH DAVIS SEWER DISTRICT

### 2015 COLLECTION SYSTEM STATISTICS

#### MH INSPECTIONS

YEAR	2013	2014	2015
Full Inspections	2,446	2,273	2,319
Surface Inspections	439	131	31

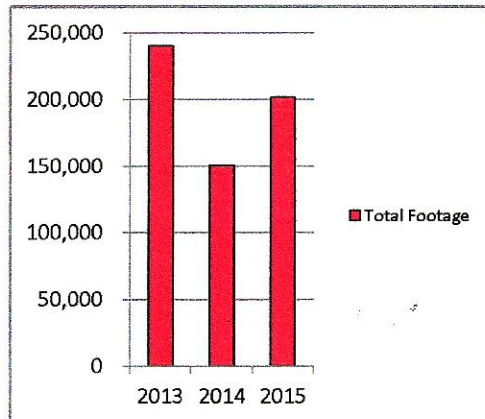
Any time a manhole is opened for cleaning, TV inspection or any other purpose, the District's collection system operators complete a full manhole inspection. When maintenance activities do not require that a manhole be opened, operators complete a surface inspection, identifying collar, lid and base ring conditions. The primary focus is on full inspections.



#### TV INSPECTIONS

YEAR	2013	2014	2015
Sections	1,115	660	915
Total Footage	240,220	150,027	201,540
Total Mileage	45.50	28.41	38.17

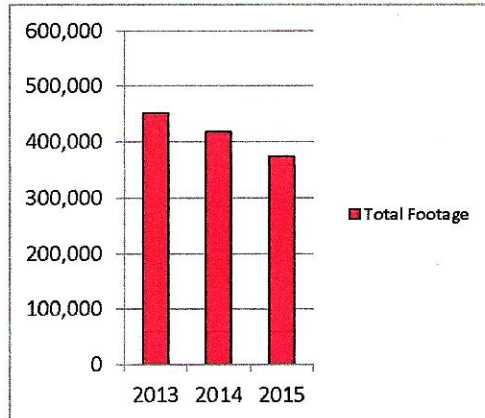
The totals reported include repeat inspections of pipe sections that are on the District's routine ("hot spot") list.



#### CLEANING

YEAR	2013	2014	2015
Sections	1,888	1,718	1,534
Total Footage	452,014	417,638	373,797
Total Mileage	85.61	79.10	70.79

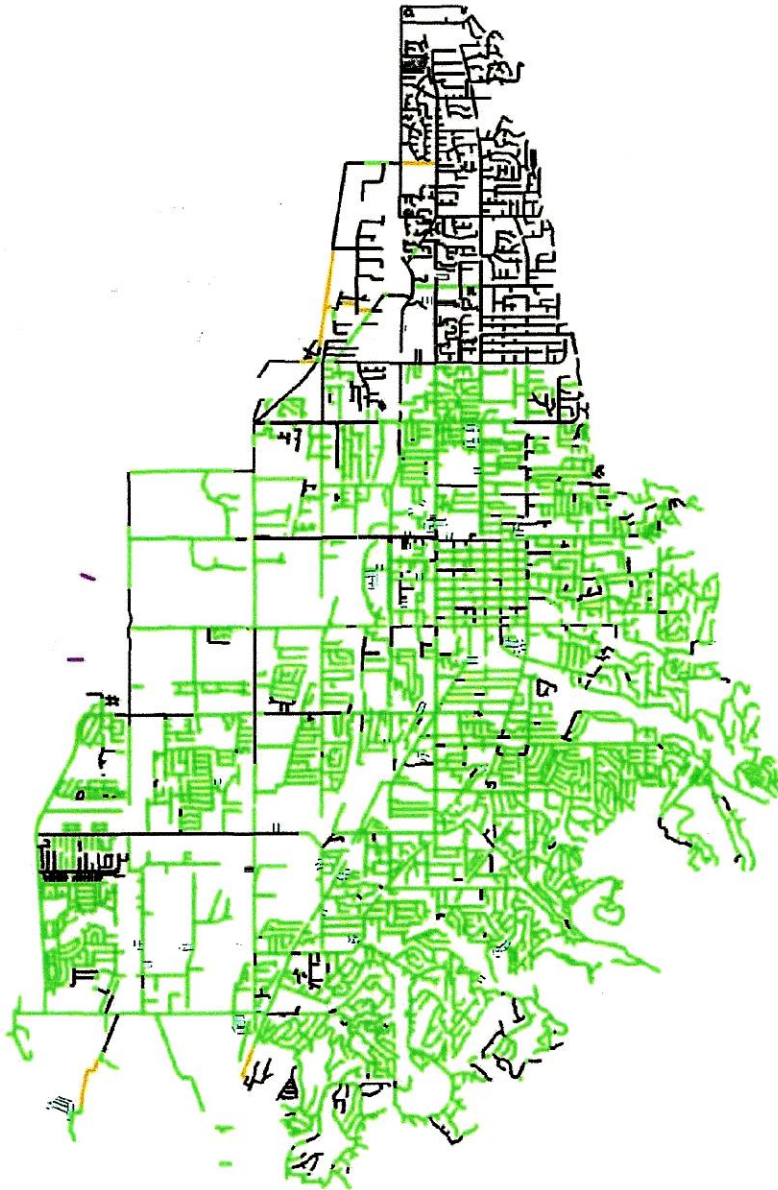
The totals reported include repeat cleanings of pipe sections that are on the District's routine ("hot spot") list.



**SOUTH DAVIS SEWER DISTRICT**  
*2015 COLLECTION SYSTEM STATISTICS*

TV INSPECTIONS

2013-2015

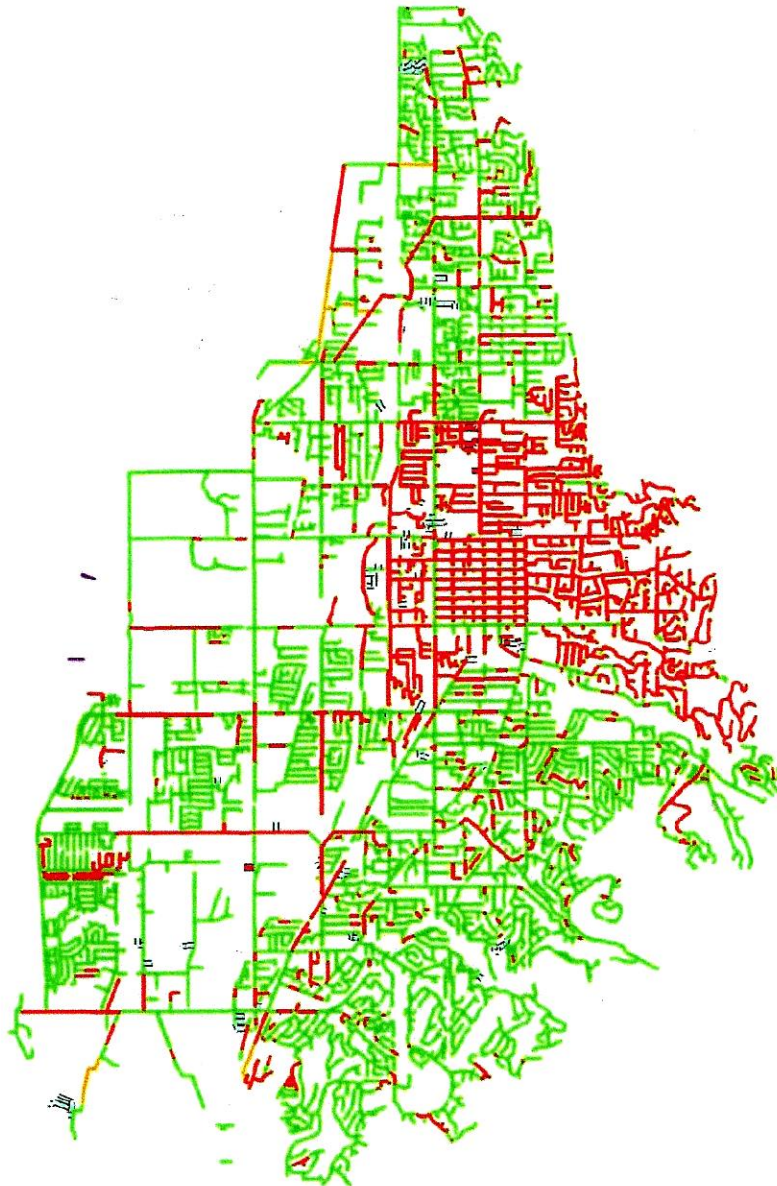


Pipe sections that were TV'ed between 2013 and 2015 are shown above in black.

**SOUTH DAVIS SEWER DISTRICT**  
2015 COLLECTION SYSTEM STATISTICS

**CLEANING**

2013-2015



Pipe sections that were cleaned between 2013 and 2015 are shown above in red.



# SOUTH DAVIS SEWER DISTRICT

## Schedule of the Proportionate Share of the Net Pension Liability— Utah Retirement Systems For the Year Ended December 31, 2015 with a Measurement Date of December 31, 2014 Last 10 Fiscal Years\*

	<u>Noncontributory System</u>	<u>Contributory System</u>	<u>Tier 2 Public Employees System</u>
Proportion of the net pension liability (asset)	0.1714837%	0.5162013%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ 744,623	\$ 148,895	\$ (242)
Covered employee payroll	\$ 1,504,734	\$ 275,901	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.5%	54.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	94.0%	103.5%

\* Only fiscal year 2015 was available. The District will continue to present information for available years until a full 10-year trend is compiled.

# SOUTH DAVIS SEWER DISTRICT

## Schedule of Contributions—Utah Retirement Systems For the Year Ended December 31, 2015 with a Measurement Date of December 31, 2014 Last 10 Fiscal Years\*

	Noncontributory System	Contributory System	Tier 2 Public Employees System
Contractually required contribution	\$ 291,827	\$ 42,230	\$ 3,633
Contractually required contribution in relation to required contribution	\$ 291,827	\$ 42,230	\$ 3,633
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,579,894	\$ 292,048	\$ 43,693
Contributions as a percentage of covered-employee payroll**	18.47%	14.46%	8.31%

\* Only fiscal year 2015 was available. The District will continue to present information for available years until a full 10-year trend is compiled.

\*\* Contributions as a percentage of covered-employee payroll may be different than the URS Board certified rate due to rounding or other administrative issues.

## SOUTH DAVIS SEWER DISTRICT

### Notes to Required Supplementary Information—Pensions For the Year Ended December 31, 2015 with a Measurement Date of December 31, 2014

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$ 94,665	\$ 279,047
457 Plan	84,139	-
Roth IRA Plan	15,725	-
Traditional IRA Plan	-	-
HRA Plan	-	-

The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.

# SUPPLEMENTAL INFORMATION



**SOUTH DAVIS SEWER DISTRICT**  
**Schedule of Revenues and Expenses Budget to Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Year Ended, December 31, 2015**

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
<b>Operating Revenues</b>				
Sewer Service Fees	\$ 2,334,000	\$ 2,525,000	\$ 2,269,808	\$ (255,192)
Sewer Special Treatment	100,000	100,000	180,779	80,779
Inspection Fees	10,000	6,000	8,970	2,970
Project Fees	30,000	5,000	11,500	6,500
Permit Fees	7,000	7,000	6,050	(950)
Sampling Fees	6,000	6,000	6,580	580
Lab Testing Fees	50,000	50,000	39,697	(10,303)
Taxable Sales	1,000	1,000	1,528	528
Misc Income	250,000	250,000	241,327	(8,673)
Refund and Allowances	(3,000)	(5,000)	(3,597)	1,403
<b>Total</b>	<b>\$ 2,785,000</b>	<b>\$ 2,945,000</b>	<b>\$ 2,762,642</b>	<b>\$ (182,358)</b>
<b>Nonoperating Revenues</b>				
Property Taxes	\$ 1,893,000	\$ 1,855,000	\$ 2,208,762	\$ 353,762
Impact Fees	800,000	750,000	4,572,069	3,822,069
Penalties	60,000	60,000	140,865	80,865
Interest	70,000	70,000	94,186	24,186
Surplus Property Sales	210,000	240,000	276,486	36,486
WQG Contributions	900,000	780,000	785,000	5,000
Reserve Transfer	3,117,000	2,759,000	-	(2,759,000)
<b>Total</b>	<b>\$ 7,050,000</b>	<b>\$ 6,514,000</b>	<b>\$ 8,077,368</b>	<b>\$ 1,563,368</b>
<b>Total Revenue</b>	<b>\$ 9,835,000</b>	<b>\$ 9,459,000</b>	<b>\$ 10,840,010</b>	<b>\$ 1,381,010</b>
<b>EXPENSES</b>				
<b>Operating Expenses</b>				
Operating Expenses	\$ 523,000	\$ 495,000	\$ 387,563	107,437
Utilities	346,000	344,000	325,895	18,105
Payroll and Benefits	3,267,500	3,434,000	3,436,407	(2,407)
Biosolid Disposal	20,000	20,000	17,377	2,623
No-Fault Sewer Back-up	25,000	25,000	14,560	10,440
Outside Services	757,000	546,000	513,050	32,950
Chemicals	300,000	300,000	312,806	(12,806)
Lab Testing	212,000	157,000	155,848	1,152
Transportation	75,000	62,000	49,000	13,000
Buildings & Grounds	98,000	74,000	65,254	8,746
Office & Computer	99,500	102,000	81,491	20,509
Insurance	93,000	89,000	92,934	(3,934)
Self Insurance Casualty	2,000	2,000	1,711	289
Audit	27,000	23,000	15,000	8,000
Education & Training	78,000	60,000	32,983	27,017
Operating Reserves	154,000	278,000	-	278,000
<b>Total</b>	<b>\$ 6,077,000</b>	<b>\$ 6,011,000</b>	<b>\$ 5,501,879</b>	<b>\$ 509,121</b>

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, 2015**

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Non Operating Expenses</b>				-
<b>Capital Expenses</b>				-
Outfall/Sewer Lines	\$ 991,000	\$ 1,260,000	\$ 130,462	1,129,538
Operating Equipment	1,653,000	1,155,000	221,975	933,025
Building and Facilities	242,000	40,000	19,758	20,242
Mobile Equipment	615,000	648,000	633,747	14,253
Major Equipment & Engineering	100,000	200,000	164,325	35,675
Office Equipment	157,000	145,000	104,301	40,699
<b>Other</b>				
Debt Service Principle	-	-	-	-
Debt Service Interest	-	-	-	-
<b>Total</b>	\$ 3,758,000	\$ 3,448,000	\$ 1,274,568	\$ 2,173,432
				-
<b>Total Expenses</b>	\$ 9,835,000	\$ 9,459,000	\$ 6,776,447	\$ 2,682,553.00
				\$ -
				\$ -
<b>Excess of Revenue over Expenses</b>	\$ -	\$ -	\$ 4,063,563	\$ 4,063,563

**RECONCILIATION OF BUDGET BASIS**  
**ACTUAL TO GAAP BASIS ACTUAL**

**Excess (Deficit) of Revenues over Expenses "Budget Basis"** **\$ 4,063,563**

**Add Back:**

Contributed Capital 266,362  
Gain on Sale of Assets 29,326

**Deduct:**

Expense Accruals (206,771)  
Depreciation Expense (278,380)  
Net Change in Fair Value of Investments (14,756)

**Increase in Net Position, "GAAP Basis"** **\$ 3,859,344**

Notes: Actual amounts are presented on the budgetary basis of accounting necessitating a budget-to-GAAP reconciliation.  
Presentation of the budget to actual variance column is encourage but not required.

**SOUTH DAVIS SEWER DISTRICT**  
Schedule of Impact Fees  
For the Year Ending December 31, 2015

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
NSL Industrial Park C	Lot 29	1/5/2015	\$ 369.00	
Foxboro North	Lot 1345	1/8/2015	1,596.00	
Renaissance Towne	1560 Renaissance Dr	1/12/2015	3,271.80	
Foxboro North	Lot 1307	1/15/2015	1,596.00	
NSL Industrial Park A	920 N Redwood Road	1/15/2015	3,032.40	
Foxboro North	Lots 107 & 108	1/16/2015	3,192.00	
Foxboro North	Lots 109,110,111,112,113,114	1/16/2015	9,576.00	
Foxboro South	Lot 714	1/19/2015	1,596.00	
Eaglewood Village	Lot 19	1/20/2015	1,596.00	
Village on Main	Lot 1	1/22/2015	4,947.60	
Views Eaglewood Village	Lot 7	1/22/2015	1,596.00	
Vallentine Est Cottages	Lot 317	1/23/2015	1,596.00	
			\$	33,964.80
460 S 200 W	Bountiful	2/4/2015	\$ 2,364.00	
Eaglepoint Est	Lot 1316	2/4/2015	1,596.00	
Eaglewood Cove	Lot 408	2/5/2015	1,596.00	
Foxboro North	Lot 304	2/6/2015	1,596.00	
333 W Center St. NSL	Office addition	2/9/2015	1,356.60	
Foxboro North	Lots 115,116,117,118,119,120,	2/9/2015	9,576.00	
Moss Farms	Lot 212	2/12/2015	1,596.00	
Banberger Station	Lot A	2/20/2015	3,910.20	
Valentine Cottage	Lot 304	2/19/2015	1,596.00	
Windriver Petro	382 N Frontage Rd, Centerville	2/20/2015	1,037.40	
Valentine Cottage	Lot 322	2/19/2015	1,596.00	
SkyPark Industrial Park	Lot 501	2/10/2015	4,309.20	
Foxboro South	Lots 802, 713	2/24/2015	3,192.00	
			\$	35,321.40
Eaglewood Village	Lot 5	3/2/2015	\$ 40,219.20	
Villas at Bellavida	Lots 6,7,16,18	3/4/2015	6,384.00	
Bountiful Ridges	Lot 133	3/5/2015	1,596.00	
Eaglewooe Views	Lots 25,26, 2	3/9/2015	4,788.00	
Vallentine Est Cottages	Lot 319, 302	3/9/2015	3,192.00	
Crestpointe	Lots 2117, 2110, 2114, 2023, 2103, 2008	3/9/2015	9,576.00	
SkyPark Industrial Park	Lot 4	3/13/2015	1,675.80	
Foxboro South	Lot 809	3/9/2015	1,596.00	
Eaglepoint Est	Lot 1318	3/19/2015	1,596.00	
Foxboro North	Lots 121,122, 123,124, 125, 126, 127, 128	3/23/2015	12,768.00	
Indian Spring Ridge	Lot 4	3/23/2015	1,596.00	
North Canyon The Pines	Lot 1	3/25/2015	1,596.00	
Highland Oak	Lot 204	3/26/2015	1,596.00	
			\$	88,179.00
Vallentine Est Cottages	Lot 213	4/1/2015	\$ 1,596.00	
Wood Bark	Lot 19	4/3/2015	1,596.00	
Vallentine Est Cottages	Lot 315	4/3/2015	1,596.00	
Foxboro South	Lot 814	4/6/2015	1,596.00	
Foxboro North	Lots 129,130, 131, 132, 133,134	4/7/2015	9,576.00	
Duffin Sub	Lot 1	4/8/2015	1,596.00	
North Canyon The Pines	Lot 14	4/13/2015	1,596.00	
Summerwood	Lot 501	4/14/2015	1,596.00	
1134 S 800 W WX	M & B WX	4/17/2015	1,596.00	
Olsen Ranches	Lot 614	4/17/2015	1,596.00	
Summerwood	Lot 501	4/14/2015	1,596.00	
Legacy Crossing	Lot 403	4/20/2015	1,755.60	
Eaglepoint Est	Lot 1817	4/22/2015	1,596.00	
Foxboro North	Lots 135, 136, 137, 138,139,140, 141,142	4/28/2015	12,768.00	
Stringham Sub	Lots 1,2	4/30/2016	3,192.00	
			-	\$ 44,847.60
Olsen Ranches	Lot 5	5/4/2015	\$ 1,596.00	
1785 S 1300 E Bntf	Lot 204	5/4/2015	1,596.00	
Oak Hollow Est	Lot 14	5/5/2015	1,596.00	
Woods Park Sub	Lots 21	5/11/2015	1,596.00	
Views Eaglewood Village	Lot 30	5/11/2015	1,596.00	
Summerwood	Lot 601	5/12/2015	1,596.00	
Allen Bus Park	605/655 N Lot 1&2	5/12/2015	19,551.00	
Foxboro South	Lots 801, 803, 806	5/13/2015	4,788.00	
Eaglewood Village	Lots 202, 21, 117	5/15/2015	4,788.00	
Wood Park	Lot 117	5/14/2015	1,596.00	
Lakeside Golf Course	1201 N 1100 W WBtfl	5/19/2015	1,596.00	
Foxboro North	Lots 143,144,145,146, 147,148,	5/19/2015	9,576.00	
Wood Park	Lot 22	5/20/2015	1,596.00	
			\$	53,067.00

Legacy Amd	Lot 7A	6/1/2015	\$	1,596.00	
Vallentine Est Cottages	Lot 313	6/2/2014		1,596.00	
Parrish Square	136 W Parrish Ln Cntl	6/3/2015		478.80	
Bridlewood	Lot 308	06/08/15`		1,596.00	
Orchard Sub	Lots 1,2,3,4,5, 124,134,144,	6/8/2015		4,788.00	
Foxboro North	Lots 149, 150, 151, 152, 153, 154,155, 156	6/12/2015		12,768.00	
Views Eaglewood Village	Lot 20, 303	6/16/2015		3,192.00	
Evergreen Bus Park	1	6/16/2015		3,192.00	
Views Eaglewood Village	Lot 16	6/18/2015		1,596.00	
Eaglepoint Est	Lot 1416	6/18/2015		1,596.00	
Outdoor Rec Outlets	Lot 2, 1	6/18/2015		6,304.20	
Oxboro So	Lot 328	6/22/2015		1,596.00	
Granada Hills	Lot 5	6/22/2016		1,596.00	
Wood Park	Lot 16	6/22/2015		1,596.00	
Hyde Park	605 W 2600 S Bntfl	6/22/2015		1,835.40	
Eaglepoint Est	Lot 1415	6/23/2015		1,596.00	
Foxboro North	Lots 157, 158, 159,160, 161, 162,	6/24/2015		9,576.00	
Tractor Supply Co	1533 S 1800 W WX	6/25/2015		2,633.40	
150 E 200 S Cntl	M&B	6/25/2015		1,596.00	
Wood Park	Lot 14	6/26/2015		1,596.00	
Views Eaglewood Village	Lot 8	6/26/2015		1,596.00	
Eaglewood Est`	Lot 1816	6/29/2015		1,596.00	
				\$	65,515.80
Views Eaglewood Village	Lot 229	7/2/2015	\$	1,596.00	
Eagleridge	Lot 1	7/9/2015		1,596.00	
Knighton Ct	Lot 7	7/9/2015		1,596.00	
Valentines Estates	Lot 318	7/13/2015		1,596.00	
Views Eaglewood Village	Lots 220, 31, 230	7/21/2015		4,788.00	
East Peterson	Lot 1	7/15/2015		1,596.00	
Park Hills	Lot 3	7/22/2015		1,596.00	
Foxboro North	Lot 163, 164,165, 166, 167, 168,169, 170	7/29/2015		12,768.00	
Wood Park	Lot 12, 20, 10	7/29/2015		4,788.00	
The Loft	Lots 1,2, 3, 4, 5, 6, 7, 8, 9, 10	7/29/2015		15,960.00	
Creekwood	Lot 402	7/30/2015		1,596.00	
				\$	49,476.00
Wood Park	Lot 29F	8/6/2015	\$	1,596.00	
Alice Acres	Lot 1,2	8/10/2015		3,192.00	
Creekwood	Lot 18	8/10/2015		1,596.00	
McDonalds	529 N 700 W Cntl	8/10/2015		239.40	
Wood Park	Lot 18	8/13/2015		1,596.00	
Foxboro North	Lots 171, 172, 173, 174, 175, 176	8/14/2015		9,576.00	
Ranches at Lakeside	Lot 7	8/14/2015		1,596.00	
Evergreen Acres	Lot 10 , 11	8/18/2015		1,596.00	
Eaglepoint Est	Lot 1815	8/20/2015		1,596.00	
Views Eaglewood Village	Lot 228	8/20/2015		1,596.00	
Eaglewood Village	99 Lots 325 S Orchard Dr NSL	8/24/2015		158,004.00	
				\$	182,183.40
Eaglepoint Est	Lot 1803	9/2/2015	\$	1,596.00	
Views Eaglewood Village	Lot 5	9/14/2015		1,596.00	
Foxboro North	Lots 177, 178, 179, 180, 181, 182, 183, 184,	9/16/2015		12,768.00	
Charlotte Sub	Lot 2	9/15/2015		1,596.00	
Crestpointe	Lots 2122, 2123	9/17/2015		3,192.00	
Legacy Crossing	Lot 401	9/18/2015		1,596.00	
Hepworth Ind	17 Lots	9/18/2015		27,132.00	
Ranches at Lakeside	Lot 3	9/21/2015		1,596.00	
Views Eaglewood Village	Lot 29F	9/21/2015		1,596.00	
Wood Park	Lots 15, 26	9/21/2015		3,192.00	
Wood Park	Lots 6, 13	9/28/2015		3,192.00	
				\$	59,052.00
Barton Square	Lot 4	10/2/2015	\$	1,596.00	
Foxboro North	Lot 185, 186, 187, 188, 189, 190	10/6/2015		9,576.00	
Villas at Bellavida	Lot 17	10/6/2015		1,596.00	
Knowlton	14 apt, 2 business	10/8/2015		22,852.80	
Williamsburg Place	Lot 10	10/8/2015		1,596.00	
Noker Sub	Lot 18b	10/9/2015		1,596.00	
Eaglepoint Est	Lot 1808	10/14/2015		1,596.00	
Wood Park	Lots 4, 28	10/14/2015		3,192.00	
Park Hills	Lot 302	10/19/2015		1,596.00	
Views Eaglewood Village	Lots 203, 28	10/19/2015		3,192.00	
				\$	48,388.80
Knighton Ct	Lots 3, 4	11/2/2015	\$	3,192.00	
Views Eaglewood Village	Lot 302	11/4/2015		1,596.00	
Ranches at Lakeside	Lot 15	11/4/2015		1,596.00	
Eaglewood Village	Lot 5	11/4/2015		81,396.00	
Foxboro North	Lots 191, 192,193,194,195, 196	11/6/2015		9,576.00	
Pastore Sub	Bldg 1	11/10/2015		9,496.20	
Edgewood Est	Lot 36B, 36A	11/12/2015		3,192.00	
Miles Manor	Lot 3	11/18/2015		1,596.00	
Foxboro North	Lots 197, 198, 199, 200, 201,202, 211, 213,	11/20/2015		12,768.00	
Alice Acres	Lots 4,5,	11/23/2015		3,192.00	
Holly Refinery	393 S 800 W WBtfl	11/24/2015		3,702,000.00	
				\$	3,829,600.20

Eaglepoint Est	Lot 1806	12/4/2015	\$	1,596.00	
Pasture Sub	Bldg 2	12/8/2015		1,675.00	
Eaglepoint Est	Lot 1604	12/10/2015		1,596.00	
Porter Walton	Lots 29, 30,31,32,	12/21/2015		6,384.00	
Chevron Products	235 N 1100 W Additions	12/24/2015		34,473.60	
Eaglewood Village	Lot 5, Bldg F	12/30/2015		36,708.00	
	0				\$ 82,432.60
				<b>Grand Total</b>	<b>\$ 4,572,028.60</b>

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

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

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

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

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

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

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

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

## **SOUTH DAVIS SEWER DISTRICT**

### **Schedule of Impact Fees Treatment Plant Last Ten Years**

<b>Year Collected</b>	<b>Impact Fee</b>	<b>Interest</b>	<b>Total</b>
2006	1,078,167	52,967	1,131,134
2007	1,189,019	62,135	1,251,154
2008	1,113,553	36,052	1,149,605
2009	605,482	6,340	611,822
2010	285,462	1,425	286,887
2011	712,027	4,054	716,081
2012	957,351	4,756	962,107
2013	1,029,824	5,149	1,034,973
2014	868,201	4,341	872,542
2015	4,572,028	22,860	4,594,888
<b>Total</b>	<b>\$ 12,411,114</b>	<b>\$ 200,080</b>	<b>\$ 12,611,193</b>

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

**Note:** Because of the nature of providing wastewater collection and treatment, facilities are always built in anticipation of growth. Impact fees are therefore collected in arrears and are used to reimburse the District's capital account. Therefore, no schedule for impact fee expenditures is available since they considered expended as soon as they are collected. See statistical section for capital expenditures. In 2013, the District did an analytical review on impact fee costs based upon changes in the Utah Code, Sections 11-36-100 to 11-36-300. The District's impact fee is \$1,596.00 per EDU. The impact fee changed from \$1,456 to \$1,596 (September 2012) as a result of the analysis.

# Certification of Impact Fee Report

## Basic Form Instructions

### Impact Fee Reporting

In compliance with section 11-36-301 of the Utah Code, local political subdivisions collecting impact fees are required to submit a report to the State Auditor that identifies:

- Impact fee funds by the year in which they are received
- The project from which the funds are collected
- The capital projects for which the funds were budgeted
- The projected schedule for expenditure

The State Auditor's Office has prepared an example of this report and a certification form for local governments to include with the report when it is submitted. The example report and form are available on the Local Government Forms webpage at [auditor.utah.gov](http://auditor.utah.gov).

## Certification

Name of Entity: South Davis Sewer District

Fiscal year ended: December 31, 2015

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

"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 the above listed fiscal/calendar year end and their scheduled intended use.



Mark R. Katter  
Chief Financial Officer

February 18, 2016

Date

mkatter@sdsd.us

Email Address

801-295-3469

Phone Number

# STATISTICAL SECTION



# STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
<b>Financial Trends</b>	<b>79</b>
<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>	
<b>Revenue Capacity</b>	<b>83</b>
<i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	
<b>Debt Capacity</b>	<b>91</b>
<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>	
<b>Demographic and Economic Information</b>	<b>95</b>
<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>	
<b>Operating Information</b>	<b>97</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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

Schedule 1

	2015 <sup>5</sup>	2014	2013	2012 <sup>4</sup>	2011	2010	2009 <sup>3</sup>	2008 <sup>2</sup>	2007	2006 <sup>1</sup>
<b>Assets</b>										
Current & Other Assets	\$ 19,562,221	\$ 15,739,177	\$ 15,524,487	\$ 15,281,822	\$ 15,482,994	\$ 16,953,319	\$ 18,890,833	\$ 18,335,962	\$ 17,346,849	\$ 16,263,153
Restricted Assets		-	-	-	-	-	-	-	793,500	793,500
Capital & Noncurrent Assets - (Net of related debt)	61,735,456	60,919,692	59,235,406	55,347,168	53,226,384	51,825,817	49,820,787	48,590,268	42,712,900	39,731,240
<b>Total Assets</b>	<b>\$ 81,297,677</b>	<b>\$ 76,658,869</b>	<b>\$ 74,759,893</b>	<b>\$ 70,628,990</b>	<b>\$ 68,709,378</b>	<b>\$ 68,779,136</b>	<b>\$ 68,711,620</b>	<b>\$ 66,926,230</b>	<b>\$ 60,853,249</b>	<b>\$ 56,787,893</b>
<b>Deferred Outflows of Resources</b>	361,388.00	-	-	-	-	-	-	-	-	-
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 81,659,065</b>									
<b>Liabilities</b>										
Current Liabilities	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292	\$ 354,546	\$ 182,958	\$ 615,576	\$ 1,079,645
Noncurrent Liabilities	1,343,615	403,555	381,180	373,624	370,027	311,618	304,622	273,862	274,584	575,227
<b>Total Liabilities</b>	<b>\$ 1,746,935</b>	<b>\$ 734,062</b>	<b>\$ 867,283</b>	<b>\$ 808,395</b>	<b>\$ 823,524</b>	<b>\$ 639,910</b>	<b>\$ 659,168</b>	<b>\$ 456,820</b>	<b>\$ 890,160</b>	<b>\$ 1,654,872</b>
<b>Deferred Inflows of Resources</b>	127,979									
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 1,874,914</b>									
<b>Net Position:</b>										
Net Investment in Capital Assets (Net of related debt)	\$ 61,660,782	\$ 60,838,477	\$ 59,235,406	\$ 55,347,168	\$ 53,226,384	\$ 51,825,817	\$ 49,820,787	\$ 48,590,268	\$ 42,412,695	\$ 38,560,177
Restricted									793,500	793,500
Unrestricted (deficit)	18,123,369	15,086,330	14,657,204	14,473,427	14,659,470	16,313,409	18,231,665	17,879,142	16,756,894	15,779,344
<b>Total Net Position</b>	<b>\$ 79,784,151</b>	<b>\$ 75,924,807</b>	<b>\$ 73,892,610</b>	<b>\$ 69,820,595</b>	<b>\$ 67,885,854</b>	<b>\$ 68,139,226</b>	<b>\$ 68,052,452</b>	<b>\$ 66,469,410</b>	<b>\$ 59,963,089</b>	<b>\$ 55,133,021</b>

Source: District accounting and financial records.

Notes: GASB Statement No 34 implemented in 2004. Bountiful City transferred it's sewer system to District for \$3,368,405 on 1/1/2004

<sup>1</sup>GASB Statement No. 44 (Statistical Section) Implemented in 2006

<sup>2</sup>Revenue Bonds were refunded in October 2008, matured on 12/15/08 (See MD&A Section).

<sup>3</sup>SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG)

<sup>4</sup>Contracted with the EPA to operated a superfund site (OU2) in West Bountiful.

The District had no aggregated debt since 2008

Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District.

<sup>5</sup>GASB Statement No 68 (Pension Plans) implemented in 2015

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

Schedule 2

	2015 <sup>5</sup>	2014	2013	2012 <sup>4</sup>	2011	2010	2009 <sup>3</sup>	2008 <sup>2</sup>	2007	2006 <sup>1</sup>
<b>Operating Revenues</b>										
Sewer Service User Fees	\$ 2,266,210	\$ 2,235,118	\$ 2,188,651	\$ 2,145,429	\$ 2,127,602	\$ 2,110,247	\$ 2,090,754	\$ 2,049,525	\$ 2,006,078	\$ 1,960,948
Sewer Special Treatment Fees	180,779	213,554	255,804	180,475	168,374	144,771	204,535	216,773	260,670	199,011
Inspection & Project Fees	20,470	40,200	52,460	77,980	27,210	8,145	27,889	43,106	106,976	97,790
Other	295,526	253,912	334,343	247,124	178,195	146,055	80,574	105,614	105,438	73,782
<b>Total Operating Revenue</b>	<b>\$ 2,762,985</b>	<b>\$ 2,742,784</b>	<b>\$ 2,831,258</b>	<b>\$ 2,651,008</b>	<b>\$ 2,501,381</b>	<b>\$ 2,409,218</b>	<b>\$ 2,403,752</b>	<b>\$ 2,415,018</b>	<b>\$ 2,479,162</b>	<b>\$ 2,331,531</b>
<b>Operating Expenses</b>										
Operating & Maintenance	\$ 5,935,569	\$ 5,532,400	\$ 5,407,450	\$ 5,241,791	\$ 5,704,107	\$ 5,515,868	\$ 4,645,897	\$ 4,498,408	\$ 3,424,604	\$ 3,048,918
Depreciation	278,380	342,111	360,330	327,082	295,415	265,475	215,435	180,487	174,174	247,992
<b>Total Operating Expenses</b>	<b>\$ 6,213,949</b>	<b>\$ 5,874,511</b>	<b>\$ 5,767,780</b>	<b>\$ 5,568,873</b>	<b>\$ 5,999,522</b>	<b>\$ 5,781,343</b>	<b>\$ 4,861,332</b>	<b>\$ 4,678,895</b>	<b>\$ 3,598,778</b>	<b>\$ 3,296,910</b>
<b>Operating Income (Loss)</b>	<b>\$ (3,450,964)</b>	<b>\$ (3,131,727)</b>	<b>\$ (2,936,522)</b>	<b>\$ (2,917,865)</b>	<b>\$ (3,498,141)</b>	<b>\$ (3,372,125)</b>	<b>\$ (2,457,580)</b>	<b>\$ (2,263,877)</b>	<b>\$ (1,119,616)</b>	<b>\$ (965,379)</b>
<b>Nonoperating Revenue (Expenses)</b>										
General Property Tax	\$ 2,208,762	\$ 2,078,046	\$ 2,119,222	\$ 1,989,427	\$ 2,024,811	\$ 1,970,947	\$ 1,880,189	\$ 1,835,054	\$ 1,816,294	\$ 1,713,428
Impact Fees	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167
Miscellaneous Revenue	140,865	113,190	175,989	109,002	98,692	94,955	91,182	74,035	55,844	57,441
Intergovernmental Contributions	785,000	600,000	550,000	350,000	355,400	350,000	367,161			
Project Grant	-	-	69,418	178,113						
Interest Income	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564	825,929
Gain (Loss) on Disposal of Property	33,603	104,325	43,625	29,866	198,630	38,559	25,727	1,197	55,742	24,005
Interest & Bond Expenses	-	-	-	-	-	-	-	(9,095)	(32,067)	(55,432)
Net Change in Fair Value of Investments	(14,326)	(2,552)	(6,336)	507,089	(437,754)	21,396	131,103	(15,198)	(7,801)	64,016
<b>Total Non-Operating Revenue (Expense)</b>	<b>\$ 7,820,119</b>	<b>\$ 3,836,867</b>	<b>\$ 4,063,401</b>	<b>\$ 4,334,356</b>	<b>\$ 3,110,357</b>	<b>\$ 2,866,509</b>	<b>\$ 3,356,732</b>	<b>\$ 3,642,316</b>	<b>\$ 3,910,595</b>	<b>\$ 3,707,554</b>
Income (Loss) Before Contributions	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)	\$ 899,152	\$ 1,378,439	\$ 2,790,979	\$ 2,742,175
Capital Contributions - Assets	266,362	1,327,057	2,871,442	518,250	134,412	592,390	683,890	5,127,882	2,039,089	2,254,652
Increase in Net Assets	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)	\$ 86,774	\$ 1,583,042	\$ 6,506,321	\$ 4,830,068	\$ 4,996,827
Total Net Position at Beginning of Year	75,924,807	73,892,610	69,820,595	67,885,854	68,139,226	68,052,452	66,469,410	59,963,089	55,133,021	50,136,194
Prior Period Adjustment	(776,173)	-	73,694							
<b>Total Net Position at End of Year</b>	<b>\$ 79,784,151</b>	<b>\$ 75,924,807</b>	<b>\$ 73,892,610</b>	<b>\$ 69,820,595</b>	<b>\$ 67,885,854</b>	<b>\$ 68,139,226</b>	<b>\$ 68,052,452</b>	<b>\$ 66,469,410</b>	<b>\$ 59,963,089</b>	<b>\$ 55,133,021</b>

Source: District accounting and financial records

Notes: GASB Statement No 34 implemented in 2004

On 1/1/04 Bountiful City transferred it's sewer system to the District resulting in \$3,368,405 additional capital contribution revenue

<sup>1</sup>GASB Statement No. 44 (Statistical Section) implemented in 2006

<sup>2</sup>Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)

<sup>3</sup>SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQCG)

<sup>4</sup>Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District

The District has no general obligation bonds or other contracts which obligate the District to disburse funds.

2014 Prior period adjustment resulted from a journal entry error.

<sup>5</sup>GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000

**SOUTH DAVIS SEWER DISTRICT**  
Schedule of Net Revenue and Aggregate Debt Service  
Last Ten Fiscal Years  
(Unaudited)

Schedule 3

	2015 <sup>5</sup>	2014	2013	2012 <sup>4</sup>	2011	2010	2009 <sup>4</sup>	2008 <sup>2</sup>	2007	2006 <sup>1</sup>
<b>Net Revenues</b>										
Operating Revenues	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,770,913	\$ 2,415,018	\$ 2,479,162	\$ 2,331,531
Operating Expenses (excluding depreciation)	(5,935,569)	(5,532,400)	(5,407,450)	(5,241,791)	(5,840,971)	(5,515,868)	(4,645,897)	(4,498,408)	(3,424,604)	(3,544,902)
General Property Tax	2,208,762	2,082,256	2,119,222	1,989,427	2,024,811	1,970,947	1,880,189	1,835,054	1,816,294	1,713,428
Impact Fees	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167
Intergovernmental Contributions	785,000	600,000	550,000	350,000	355,400	350,000	367,161			
Project Grant Revenue	-	-	69,418	178,113						
Misc. Revenue	140,865	113,190	175,989	109,002	98,692	94,955	74,035	74,035	55,844	57,441
Interest Income	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564	825,929
<b>Total Net Revenues</b>	<b>\$ 4,628,258</b>	<b>\$ 949,688</b>	<b>\$ 1,449,920</b>	<b>\$ 1,206,618</b>	<b>\$ 9,891</b>	<b>\$ (300,096)</b>	<b>\$ 1,307,771</b>	<b>\$ 1,582,022</b>	<b>\$ 2,949,279</b>	<b>\$ 2,461,594</b>
<b>Net Revenues Excluding Impact Fees</b>										
Net Revenues	4,628,258	949,688	1,449,920	1,206,618	9,891	(300,096)	1,307,771	1,582,022	2,949,279	2,461,594
Impact Fees	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)	(1,113,553)	(1,189,019)	(1,078,167)
<b>Net Revenues Excluding Impact Fees</b>	<b>\$ 56,229</b>	<b>\$ 81,487</b>	<b>\$ 420,096</b>	<b>\$ 249,267</b>	<b>\$ (702,136)</b>	<b>\$ (585,558)</b>	<b>\$ 702,289</b>	<b>\$ 468,469</b>	<b>\$ 1,760,260</b>	<b>\$ 1,383,427</b>
<b>Aggregate Debt Service*</b>										
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 309,300</b>	<b>\$ 902,925</b>	<b>\$ 904,176</b>
Ratio of Net Revenues to Aggregate Debt Service	0	0	0	0	0	0	0	5.11	3.27	2.72
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	0	0	0	0	0	0	0	1.51	1.95	1.53
Minimum Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: District accounting and financial records.

Notes: GASB Statement No 34 implemented in 2004

On 1/1/04 Bountiful City transferred it's sewer system to the District resulting in \$3,368,405 additional capital contribution revenue.

<sup>1</sup>GASB Statement No. 44 (Statistical Section) implemented.

<sup>2</sup>Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)

<sup>3</sup>SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG).

<sup>4</sup>Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

Aggregate debt service includes only debt service on revenue bonds which are secured by revenues of the District.

The District has no general obligation bonds or other contracts which obligate the District to disburse funds.

As of 12/31/14 the District had no outstanding debt.

<sup>5</sup>GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000

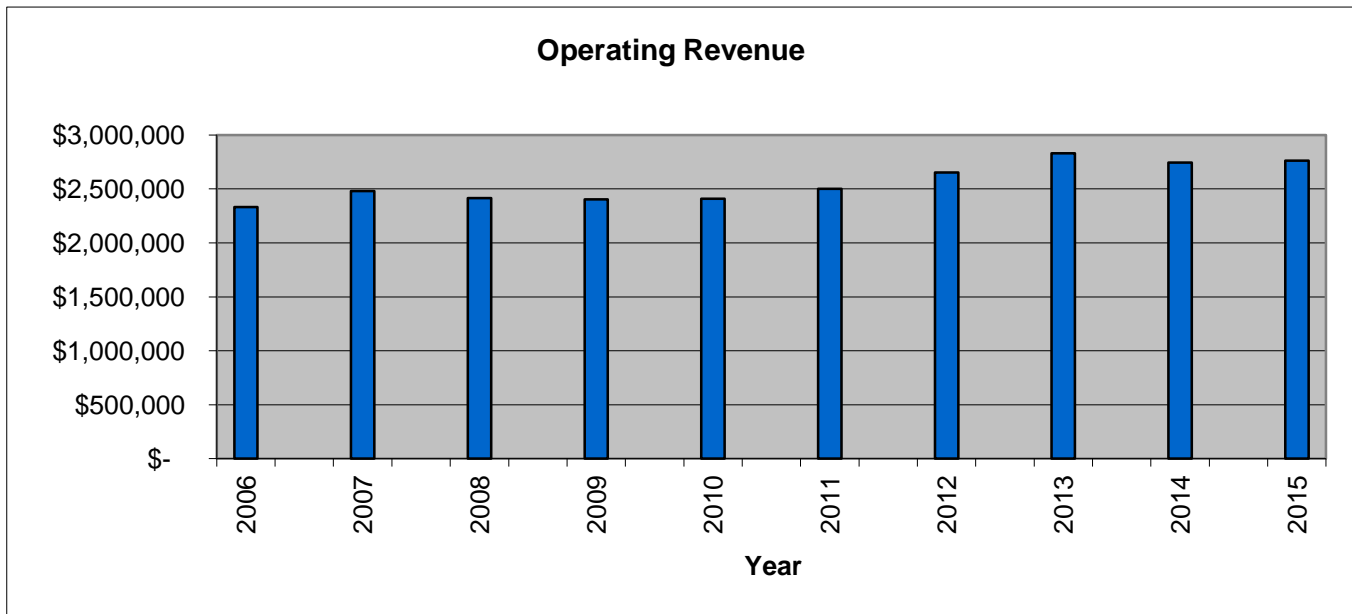
**SOUTH DAVIS SEWER DISTRICT**

Schedule 4

## Operating Revenues (Unaudited)

Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees		Other	Total
2006	\$ 1,960,948	\$	296,801	\$ 73,782	\$ 2,331,531
2007	\$ 2,006,078	\$	367,646	\$ 105,438	\$ 2,479,162
2008	\$ 2,049,525	\$	259,879	\$ 105,614	\$ 2,415,018
2009	\$ 2,090,754	\$	232,424	\$ 80,574	\$ 2,403,752
2010	\$ 2,110,247	\$	152,916	\$ 146,055	\$ 2,409,218
2011	\$ 2,127,602	\$	195,584	\$ 178,195	\$ 2,501,381
2012	\$ 2,145,429	\$	258,455	\$ 247,124	\$ 2,651,008
2013	\$ 2,188,651	\$	308,264	\$ 334,343	\$ 2,831,258
2014	\$ 2,235,118	\$	253,754	\$ 253,912	\$ 2,742,784
2015	\$ 2,266,210	\$	201,249	\$ 295,526	\$ 2,762,985



Source: District accounting records

Notes: Bountiful City Sewer System was transferred on 1/1/04 to the South Davis Sewer District

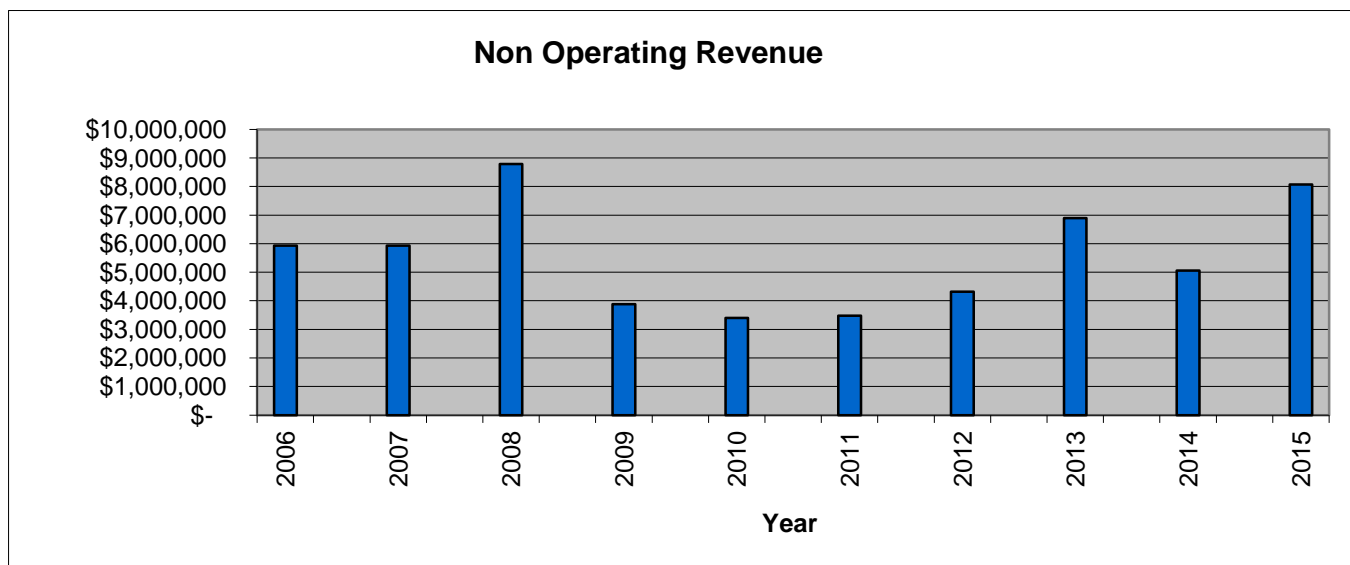
This added approximately 9000 new customers to the District. The first billing to the new Bountiful City customers began 7/01/04 (1/2 year). 2005 was the first full year billing for these new customers.

# SOUTH DAVIS SEWER DISTRICT

## Non Operating Revenue (Unaudited) Last Ten Fiscal Years

Schedule 5

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
2006	\$ 1,713,428	\$ 2,254,652	\$ 1,078,167	\$ 825,929	\$ 57,441		\$ 5,929,617
2007	\$ 1,816,294	\$ 2,039,089	\$ 1,189,019	\$ 833,564	\$ 55,844		\$ 5,933,810
2008	\$ 1,835,054	\$ 5,127,882	\$ 1,113,553	\$ 642,770	\$ 74,035		\$ 8,793,294
2009	\$ 1,880,189	\$ 683,890	\$ 605,482	\$ 255,888	\$ 91,182	\$ 367,161	\$ 3,883,792
2010	\$ 1,970,947	\$ 592,390	\$ 285,462	\$ 105,190	\$ 94,955	\$ 350,000	\$ 3,398,944
2011	\$ 2,024,811	\$ 134,412	\$ 712,027	\$ 158,551	\$ 98,692	\$ 355,400	\$ 3,483,893
2012	\$ 1,989,427	\$ 518,250	\$ 957,351	\$ 213,508	\$ 109,002	\$ 528,113	\$ 4,315,651
2013	\$ 2,119,222	\$ 2,871,442	\$ 1,029,824	\$ 81,659	\$ 175,989	\$ 619,418	\$ 6,897,554
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204



Source: District financial and accounting records

Notes: Bountiful City Sewer System was transferred to the South Davis Sewer District on 1/1/04.

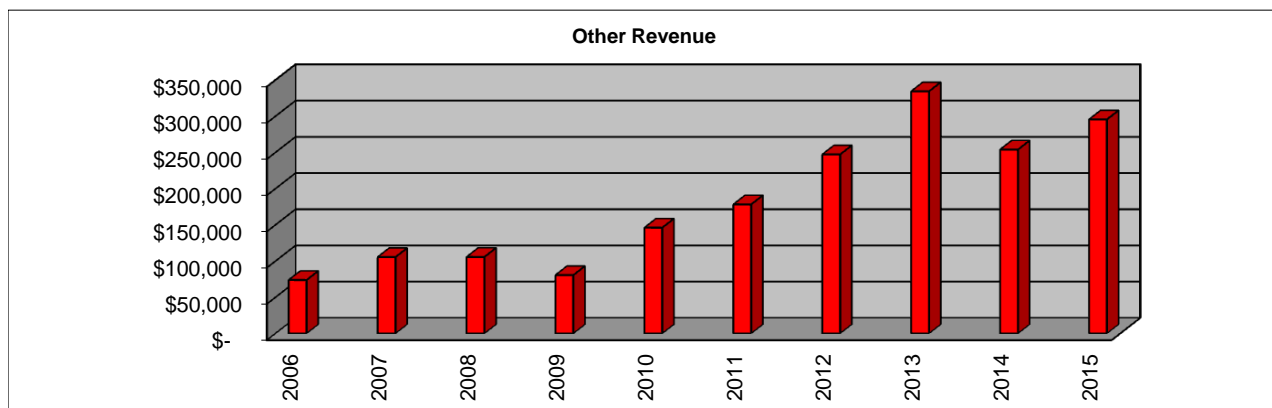
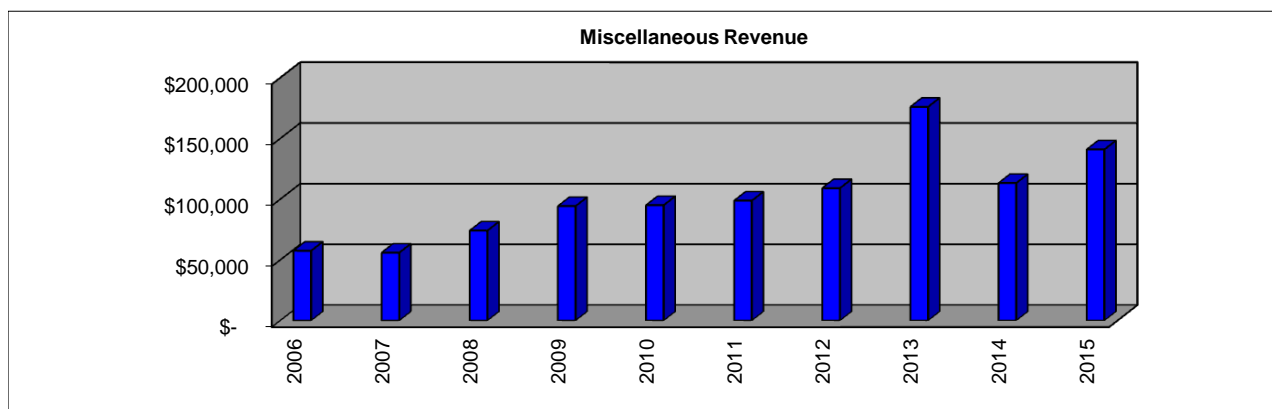
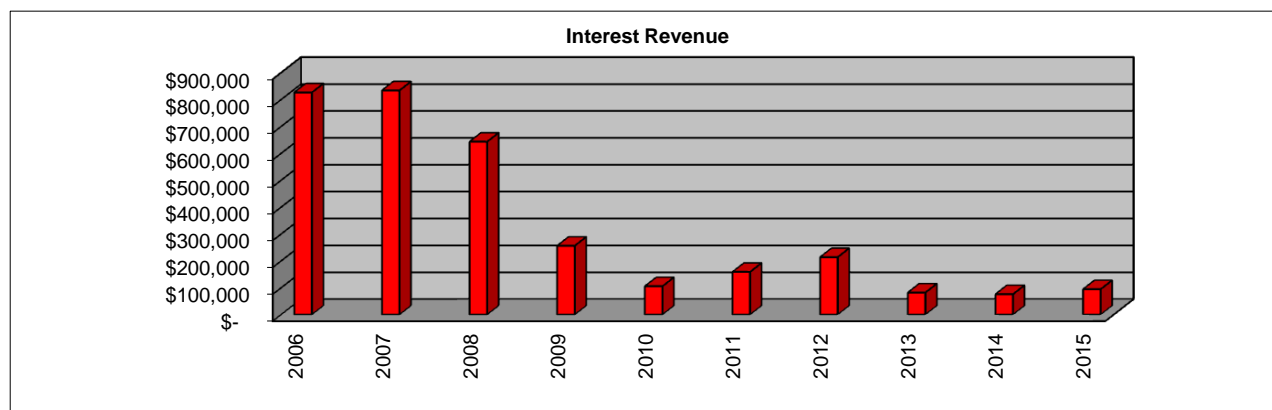
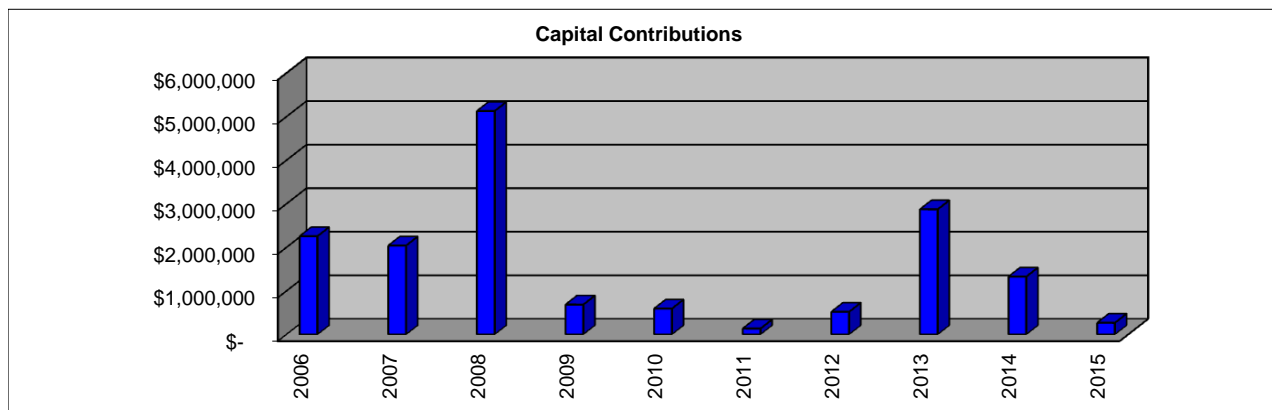
Beginning in 2009, Intergovernmental contribution revenue from 7 POTW's was received for the support of the Water Quality Group research, headquartered at the South Davis Sewer District.

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

# SOUTH DAVIS SEWER DISTRICT

Schedule 6

## Revenues by Source (Unaudited) Last Ten Fiscal Years



Source: District financial and accounting records.

Note: Bountiful City Sewer System was transferred to the District in 2004.

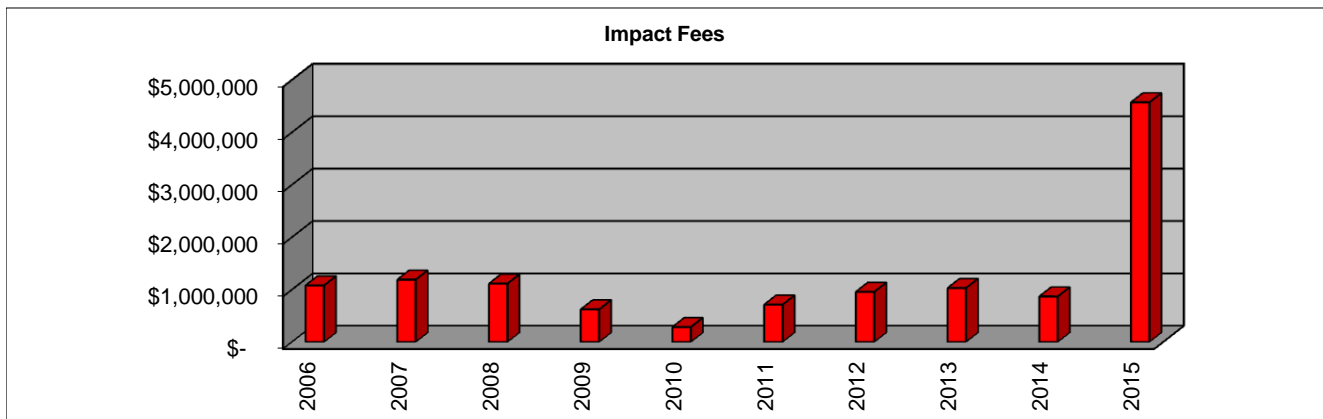
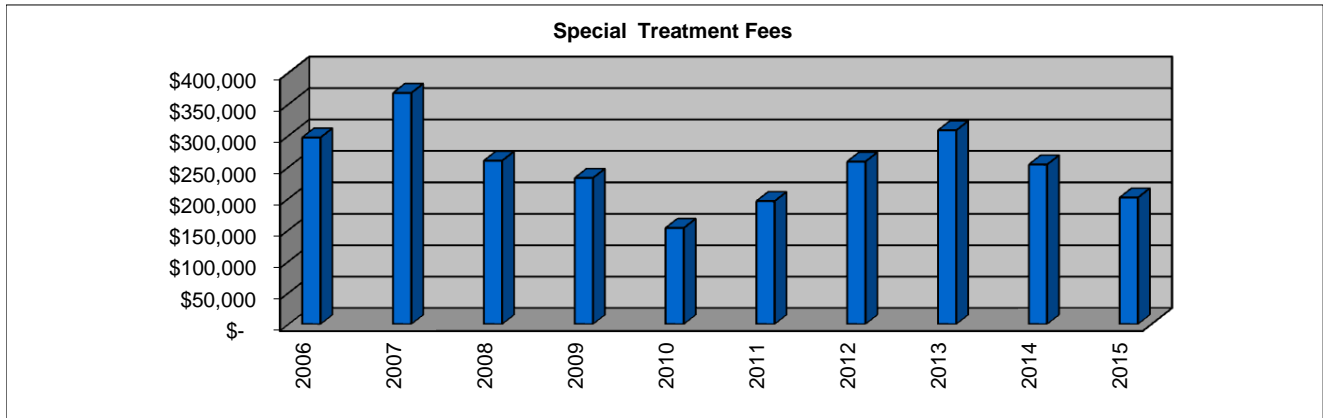
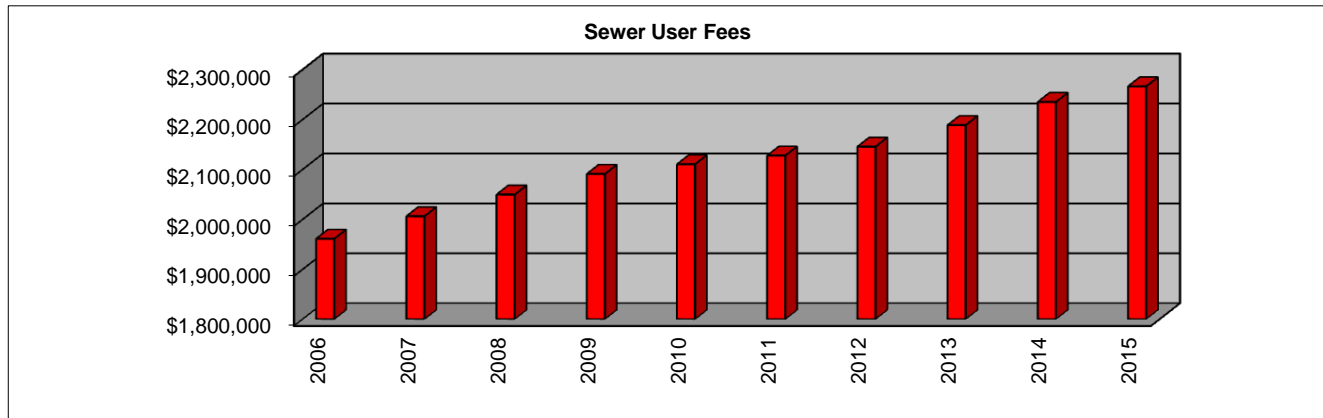
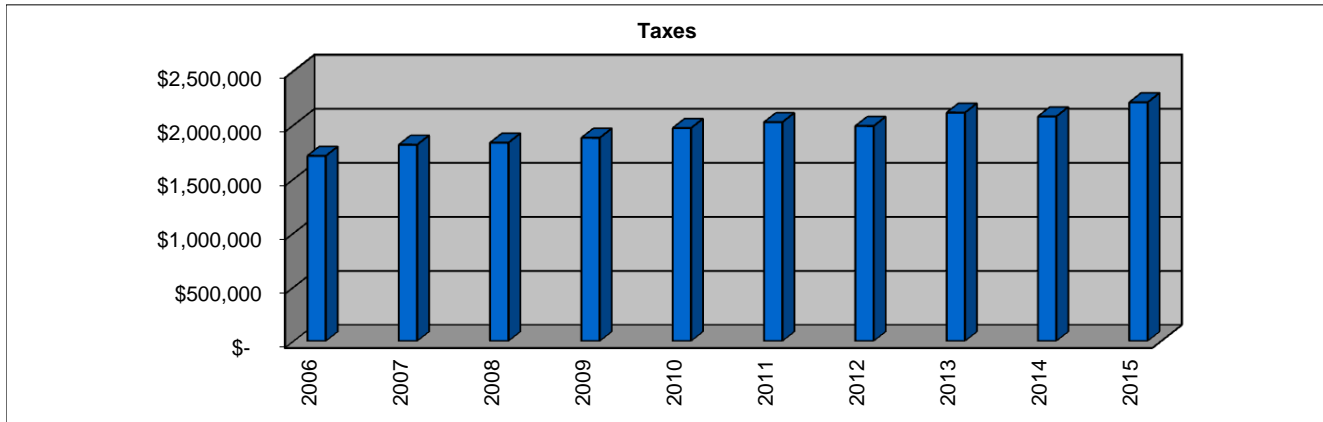
In 2008 the economic downturn started

# SOUTH DAVIS SEWER DISTRICT

Schedule 7

## Revenues by Source (Unaudited)

### Last Ten Fiscal Years



Source: District financial and accounting records

Note: Bountiful City Sewer System was transferred to the District in 2004



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

Schedule 8

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
2006	1,691,469	1,623,735	96.0%	62,513	1,686,248	99.7%
2007	1,858,308	1,757,469	94.6%	82,753	1,840,222	99.0%
2008	1,898,820	1,779,029	93.7%	60,324	1,839,353	96.9%
2009	1,917,575	1,803,654	94.1%	84,611	1,888,265	98.5%
2010	1,998,333	1,884,992	94.3%	90,230	1,975,222	98.8%
2011	1,841,535	1,705,846	92.6%	157,462	1,863,308	101.2%
2012	1,877,465	1,762,712	93.9%	72,263	1,834,975	97.7%
2013	1,942,033	1,826,818	94.1%	142,612	1,969,430	101.4%
2014	2,059,448	1,959,317	95.1%	64,576	2,023,893	98.3%
2015	2,168,606	2,072,537	95.6%	77,968	2,150,505	99.2%

Source: Davis County Assessor's and Davis County Treasurer's Office.

**SOUTH DAVIS SEWER DISTRICT**  
**User and Impact Fee Rates (Unaudited)**  
**Last Ten Fiscal Years**

Schedule 9

<b>Year</b>	<b>Annual Sewer Service Fee (Single Residential Home)</b>	<b>Annual Sewer Service Fee (Single Mobile Home)</b>	<b>Impact Fee</b>
<b>2016</b>	\$60.00	\$48.00	\$1,456.00
<b>2017</b>	\$60.00	\$48.00	\$1,456.00
<b>2018</b>	\$60.00	\$48.00	\$1,456.00
<b>2019</b>	\$60.00	\$48.00	\$1,456.00
<b>2020</b>	\$60.00	\$48.00	\$1,456.00
<b>2021</b>	\$60.00	\$48.00	\$1,456.00
<b>2012</b>	\$60.00	\$48.00	\$1,596.00
<b>2013</b>	\$60.00	\$48.00	\$1,596.00
<b>2014</b>	\$60.00	\$48.00	\$1,596.00
<b>2015</b>	\$60.00	\$48.00	\$1,596.00

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

Notes: In 1997 the District did an analytical review on impact fee costs based upon changes in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from \$600 to \$1,456.

In 2011 a consulting firm was engaged to conduct a impact fee rate study.

\*The results of the 2011 impact fee study was a change in the impact fee to \$1,596 in Sept 2012

Annual sewer services fees have not changed since 1988.

**SOUTH DAVIS SEWER DISTRICT**  
Principle Wastewater Contributors  
For the Year Ending December 31, 2015

Schedule 10

<b>Business</b>	<b>Location</b>	<b>Discharged Annual (Gallons)</b>
Holly Refinery*	West Bountiful	370,237,000
Big West Oil LLC*	North Salt Lake	164,360,000
Silver Eagle Refinery*	Woods Cross	67,363,000
Restaurants	District	49,190,000
Car Wash/Service Stations/Dealers	District	42,070,000
Medical Centers/Retirement Homes	District	38,360,000
Large Retail Stores	District	25,565,000
Schools	District	22,214,000
Hotels	District	21,650,000
IHC Laundry	Woods Cross	20,133,000
Health Clubs/ Bountiful Rec. Center	District	18,311,000
Churches	District	15,488,000
Air Products Manufacturing Corp	Bountiful	13,442,000
Lakeview Hospital	Bountiful	11,389,000
Advanced Drainage Systems	North Salt Lake	9,192,000
Stericycle Inc.	North Salt Lake	8,373,000
Pilot Travel	North Salt Lake	8,179,000
Albertson's Distribution Center	North Salt Lake	6,995,000
Zero Manufacturing Inc.*	North Salt Lake	6,474,000
Dry Cleaners/Laundry	District	5,235,000
South Davis Hospital	Bountiful	4,426,000
Orbit Sprinklers	North Salt Lake	4,390,000
Cowboy Oil	Woods Cross	3,440,000
Benchmark Hospital	Woods Cross	3,407,000
Manuel's Fine Foods	Woods Cross	3,274,000
Pipe Fab	Woods Cross	3,167,000
Chevron Products	North Salt Lake	3,112,000
Pioneer Pipe Line	North Salt Lake	2,668,000
Aero Tech*	North Salt Lake	2,115,000
Legacy Megaplex Theater	Centerville	2,003,000
Windriver Petroleum	Centerville	1,749,000
General Electric	North Salt Lake	1,737,000
Quality Plating*	Woods Cross	1,207,000
Dura-Line	North Salt Lake	1,096,000
Biotron Laboratories	Centerville	958,000
THB Inc	North Salt Lake	676,000

Source: District accounting records and city water records

Note: \*EPA categorical industry

**SOUTH DAVIS SEWER DISTRICT**

Schedule 11

Top Ten Non-Residential Customers  
For the Current Year (2015) and Nine Years Prior

<b>Account #</b>	<b>Rate Payer</b>	<b>Type of Service</b>	<b><u>Annual User Fee Amount</u></b>	
			<b>2015</b>	<b>2006</b>
00200	Holly Refinery	Refinery	\$ 91,376	\$ 78,631
03792 & 11076	Big West Oil	Refinery	\$ 51,915	\$ 80,838
05020	Silver Eagle Oil	Refinery	\$ 23,540	\$ 45,790
08644	Zero Mfg	Manufacturing	\$ 6,850	\$ 11,122
07287	Intermountain Health Care	Health Care	\$ 5,951	\$ 8,902
30985	Lakeview Hospital	Health Care	\$ 5,650	\$ 6,995
08989	Air Products	Manufacturing	\$ 4,821	\$ 4,587
35963	South Davis Recreation Center	Recreation	\$ 4,618	n/a
00345	Pioneer Pipeline	Manufacturing	\$ 4,564	\$ 5,355
08999	Stercyle	Manufacturing	\$ 4,397	\$ 4,120

Source: District accounting records &amp; city water records

Note: South Davis Recreation Center opened in 2007

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

Schedule 12

<b>Year</b>	<b>1989 Bond ( 3% Interest )</b>	<b>1990 Bond ( 5% Interest )</b>	<b>1992 Bond ( 4% Interest )</b>	<b>2003 Refunding Bond ( 2.7% Interest )</b>	<b>Total Bonds</b>
2006	\$ -	\$ -	\$ -	\$ 2,020,000	\$ 2,020,000
2007	\$ -	\$ -	\$ -	\$ 1,170,000	\$ 1,170,000
2008	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
2009	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -
2011	\$ -	\$ -	\$ -	\$ -	\$ -
2012	\$ -	\$ -	\$ -	\$ -	\$ -
2013	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ -

Source: Zions Bank Trust Department and District Accounting Records

Notes: 2003 Refunding Revenue Bond matured 12/15/08

1999 & 1992 Revenue Bonds were refunded in 2003 and matured in 2008

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

Schedule 13

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.
2006	\$ 1,170,000	79,700	\$ 14.68	n/a	n/a	\$ 4,072,525,835	1.65%
2007	\$ 300,000	86,200	\$ 3.48	n/a	n/a	\$ 4,973,841,630	0.40%
2008 <sup>1</sup>	\$ -	89,400	\$ -	n/a	n/a	\$ 5,875,529,880	0.00%
2009	\$ -	90,800	\$ -	n/a	n/a	\$ 5,731,872,686	0.00%
2010	\$ -	91,200	\$ -	n/a	n/a	\$ 5,407,414,676	0.00%
2011	\$ -	91,500	\$ -	n/a	n/a	\$ 5,170,589,665	0.00%
2012	\$ -	93,900	\$ -	n/a	n/a	\$ 5,275,495,186	0.00%
2013	\$ -	94,257	\$ -	n/a	n/a	\$ 5,380,923,009	0.00%
2014	\$ -	92,794	\$ -	n/a	n/a	\$ 5,535,793,683	0.00%
2015	\$ -	90,719	\$ -	n/a	n/a	\$ 5,716,779,642	0.00%

Source: Davis County Assessor/Auditors office, District financial and accounting records and Zions Bank

Notes: <sup>1</sup>Revenue bonds matured 12/15/08

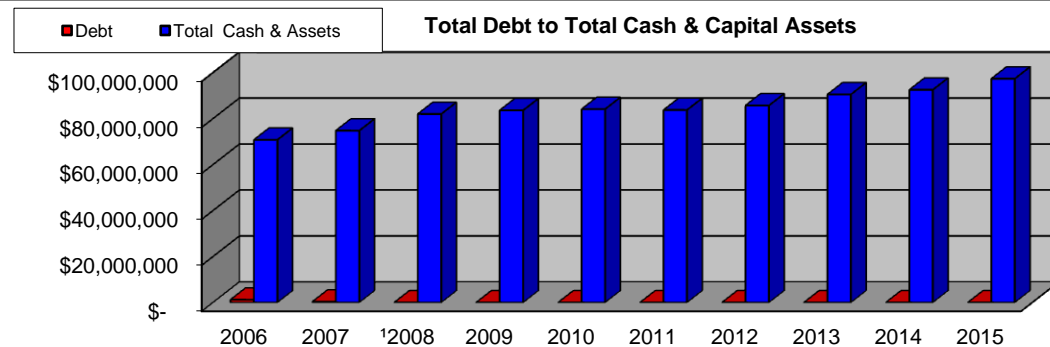
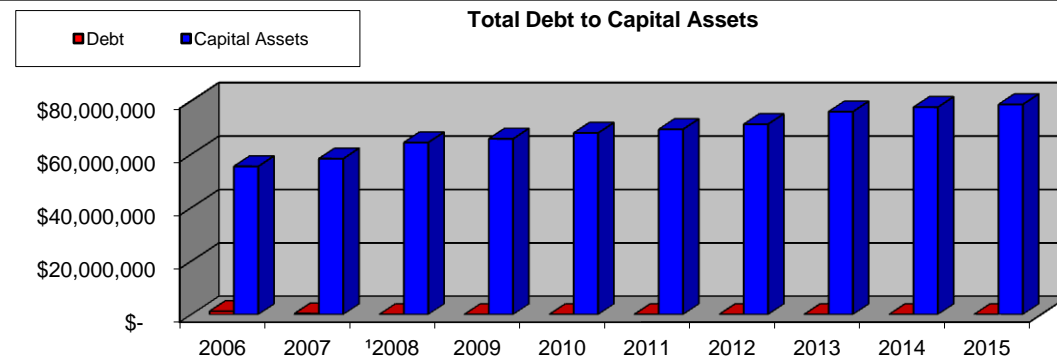
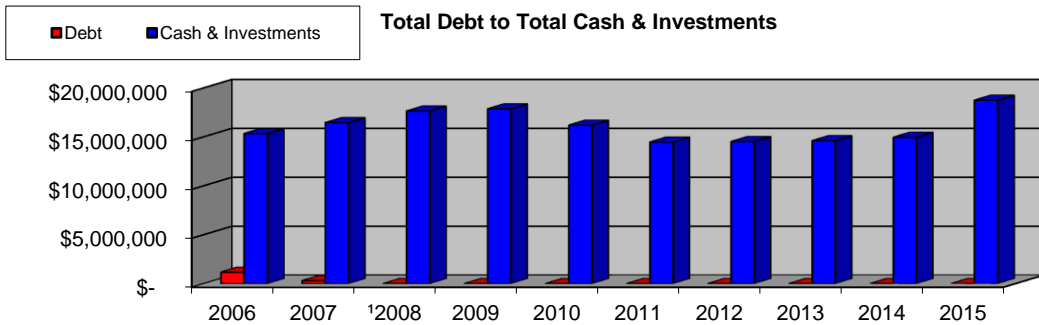
Personal income information for the District is not available, only for Davis County.

# SOUTH DAVIS SEWER DISTRICT

## Debt to Asset Ratios (Unaudited) Last Ten Fiscal Years

Schedule 14

Year	Total Debt	Cash & Investments	% of Debt : Cash	<sup>2</sup> Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
2006	\$ 1,170,000	\$ 15,327,614	7.63%	\$ 55,405,968	2.11%	\$ 70,733,582	1.65%
2007	\$ 300,000	\$ 16,444,616	1.82%	\$ 58,292,600	0.51%	\$ 74,737,216	0.40%
'2008	\$ -	\$ 17,631,263	0.00%	\$ 64,339,310	0.00%	\$ 81,970,573	0.00%
2009	\$ -	\$ 17,852,729	0.00%	\$ 65,723,067	0.00%	\$ 83,575,796	0.00%
2010	\$ -	\$ 16,185,317	0.00%	\$ 67,910,776	0.00%	\$ 84,096,093	0.00%
2011	\$ -	\$ 14,462,364	0.00%	\$ 69,268,268	0.00%	\$ 83,730,632	0.00%
2012	\$ -	\$ 14,511,792	0.00%	\$ 71,177,332	0.00%	\$ 85,689,124	0.00%
2013	\$ -	\$ 14,601,123	0.00%	\$ 75,884,155	0.00%	\$ 90,485,278	0.00%
2014	\$ -	\$ 14,950,344	0.00%	\$ 77,565,784	0.00%	\$ 92,516,128	0.00%
2015	\$ -	\$ 18,740,160	0.00%	\$ 78,589,869	0.00%	\$ 97,330,029	0.00%



Source: District accounting records.

Note: '2003 Revenue Bond matured 12/15/08.

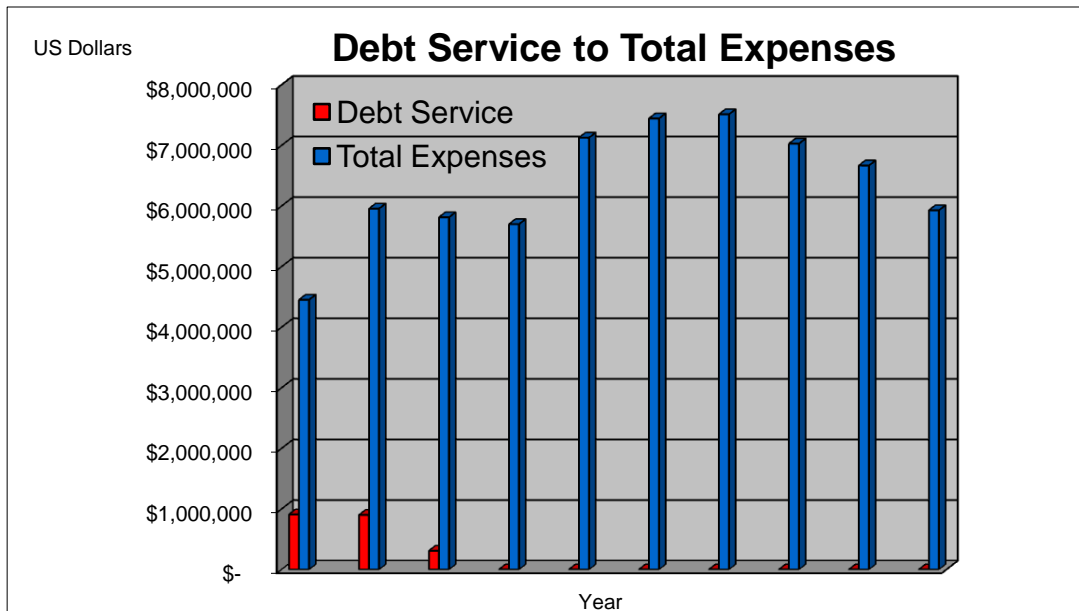
<sup>2</sup>Capital assets are at historical cost (excluding depreciation).



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

Schedule 15

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
2006	\$ 908,747	\$ 4,451,265	20.42%
2007	\$ 899,800	\$ 5,954,878	15.11%
2008	\$ 309,300	\$ 5,812,846	5.32%
2009	\$ -	\$ 5,699,282	0.00%
2010	\$ -	\$ 7,125,947	0.00%
2011	\$ -	\$ 7,443,546	0.00%
2012	\$ -	\$ 7,512,322	0.00%
2013	\$ -	\$ 7,027,863	0.00%
2014	\$ -	\$ 6,667,837	0.00%
2015	\$ -	\$ 5,928,776	0.00%



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

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

Total expenses exclude depreciation

Total expenses include operational, maintenance and capital expenses

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

Schedule 16

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Births</u></b>	<b><u>Deaths</u></b>	<b><u>Per Capita Income</u></b>	<b><u>Personal Income</u></b>	<b><u>Annualized % Unemployment Rate</u></b>	<b><u>Total Public School Enrollment</u></b>
2006	283,000	6,037	1,284	\$31,451	\$9,010,711,500	2.90%	62,832
2007	296,029	6,148	1,357	\$33,100	\$9,798,559,900	2.60%	64,553
2008	301,915	6,203	1,359	\$33,283	\$10,048,636,945	3.30%	65,014
2009	306,479	6,069	1,339	\$33,104	\$10,184,644,224	5.90%	65,452
2010	307,657	5,799	1,329	\$33,671	\$10,364,200,343	6.70%	66,019
2011	312,603	5,704	1,410	\$34,309	\$10,697,797,530	6.20%	71,232
2012	317,248	5,844	1,472	\$37,127	\$11,724,122,000	5.30%	68,342
2013	322,094	5,720	1,533	\$38,165	\$12,292,741,914	4.20%	68,571
2014	329,492	5,772	1,509	\$38,427	\$12,661,524,171	3.60%	69,139
2015	336,043	5,914	1,549	\$38,809	\$13,041,369,897	3.30%	70,095

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

Note: <sup>1</sup> 2014 personal income and per capita personal income information was not available at the time of release, therefore they were estimated based upon the prior three year trend.

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

**SOUTH DAVIS SEWER DISTRICT**  
Davis County Principle Employers  
Current Year (2015) and Nine Years Ago

Schedule 17

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hill Airforce Base	10000-14999	1	11.10%	20000-25000	1	21.1%
Davis County School District	7000-9999	2	7.40%	5000-7000	2	5.9%
Wal-Mart	1000-1999	3	1.50%	700-1000	5	0.4%
Lifetime Products	1000-1999	4	1.50%	1000-2000	3	1.7%
Lagoon Corporation	1000-1999	5	1.50%	700-1000	7	0.8%
Smiths Marketplace	500-999	6	1.50%	700-1000	6	0.8%
ATK Space Systems	500-999	7	1.50%	250-499	14	0.4%
Davis County	500-999	8	1.50%	700-1000	4	0.8%
Utility Trailer Manufacturing	500-999	9	0.70%	700-1000	7	0.8%
Davis Hospital and Medical	500-999	10	0.70%	500-700	11	0.6%
Lofthouse Bakery Products	500-999	11	0.70%	n/a	n/a	n/a
Lakeview Hospital	500-999	12	0.70%	500-700	10	0.1%
South Davis Community Hospital	500-999	13	0.40%	250-499	15	0.1%
Layton City	250-499	14	0.00%	250-499	18	0.1%
Northrop Grumman	250-499	15	0.00%	500-700	9	0.8%
Job Corp	250-499	16	0.00%	250-499	17	0.6%
YES	250-499	17	0.00%	250-499	20	0.0%
Davis Applied Technology Center	250-499	18	0.00%	250-499	22	0.4%
FedEx Ground	250-499	19	0.00%	250-499	25	0.0%
State of Utah (in Davis County)	250-499	20	0.00%	250-499	27	0.4%
Totals	<u>25750-39982</u>		<u>30.70%</u>	<u>33050-45092</u>		<u>35.8%</u>

Source: Utah Department of Workforce Service, Davis County.

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

# SOUTH DAVIS SEWER DISTRICT

Property Tax Rates - Direct and Overlapping Governments (Unaudited)  
Last Ten Fiscal Years

Schedule 18

Overlapping Rates														
Fiscal Year	South Davis Sewer District	Bountiful City	Centerville City	West Bountiful City	Woods Cross City	North Salt Lake City	Davis County	Davis County Library	Weber Basin Water	South Davis Water	Bountiful Water	Mosquito Abatement	<sup>1</sup> South Davis Recreation District	Total Direct & Overlapping Rates
2006	0.000357	0.001194	0.001436	0.001482	0.000923	0.001645	0.009605	0.000426	0.000193	0.000316	0.000147	0.000091	n/a	0.017815
2007	0.000341	0.001119	0.001349	0.001500	0.000880	0.001546	0.009044	0.000403	0.000178	0.000298	0.000139	0.000086	n/a	0.016883
2008	0.000305	0.000912	0.001233	0.001457	0.000833	0.001459	0.007728	0.000375	0.000200	0.000236	0.000115	0.000099	0.000390	0.015342
2009	0.000270	0.000903	0.000923	0.001204	0.000646	0.001258	0.007390	0.000332	0.000181	0.000228	0.000110	0.000088	0.000340	0.013873
2010	0.000290	0.000948	0.000997	0.001384	0.000690	0.001396	0.007651	0.000348	0.000188	0.000290	0.000113	0.000093	0.000356	0.014744
2011	0.000315	0.001037	0.001102	0.001366	0.000840	0.00152	0.008416	0.000363	0.000207	0.000240	0.000122	0.000097	0.000379	0.016004
2012	0.000329	0.001093	0.001173	0.001997	0.001049	0.001637	0.011244	0.000392	0.000217	0.000248	0.000130	0.000104	0.000407	0.020020
2013	0.000330	0.001094	0.001165	0.001951	0.001058	0.001637	0.013931	0.000396	0.000215	0.000253	0.000131	0.000105	0.000399	0.022665
2014	0.000301	0.000946	0.001072	0.001788	0.000913	0.001541	0.008637	0.000361	0.000199	0.000246	0.000120	0.000124	0.000338	0.016586
2015	0.000303	0.000957	0.001088	0.001806	0.000927	0.001517	0.012221	0.000361	0.000196	0.000250	0.000120	0.000122	0.000334	0.020202

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

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

<sup>1</sup>South Davis Recreation District was created in 2007.

Davis County includes Davis County School District.

**SOUTH DAVIS SEWER DISTRICT**  
Davis County Tax Factors (Unaudited)  
For the Year Ending December 31, 2015

Schedule 19

1	Davis County Jail Bond	0.000110
2	Bountiful Water	0.000120
3	Davis County Mosquito Abatement	0.000122
4	Weber Basin Water	0.000198
5	Central Davis Sewer District	0.000216
6	Utah Assess & Collect	0.000236
7	Davis County Assess & Collect	0.000237
8	South Davis Water District	0.000250
9	<b>South Davis Sewer District</b>	<b>0.000287</b>
10	South Davis Recreation Center	0.000334
11	Davis County Library	0.000361
12	Hooper Water Improvement	0.000387
13	Benchland Water District	0.000433
14	Central Weber Sewer District	0.000802
15	Woods Cross City	0.000927
16	Bountiful City	0.000967
17	North Davis Sewer District	0.001026
18	West Point City	0.001036
19	Centerville City	0.001088
20	Layton City	0.001289
21	North Davis Fire District	0.001301
22	North Salt Lake City	0.001517
23	Syracuse City	0.001639
24	Utah Statewide School Rate	0.001736
25	Kaysville City	0.001782
26	Davis County	0.001796
27	Clearfield City	0.001800
28	West Bountiful City	0.001806
29	Clinton City	0.002198
30	Farmington City	0.002226
31	Sunset City	0.002280
32	Fruit Heights City	0.002369
33	Davis County School District	0.006819

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

**SOUTH DAVIS SEWER DISTRICT**  
Principle Tax Payers (Unaudited)  
For the Current Year 2015 and Nine Years Prior

Schedule 20

			Assessed Taxable Value			
			Personal Property	Real Property	2015 Total	2006 Total
Tax Payer	City					
1 Chevron USA Inc.	County/NSL	\$	421,715,442	\$	9,412,983	\$ 431,128,425 \$ 431,734,268
2 Holly Refinery	Woods Cross	\$	401,939,471	\$	22,683,358	\$ 424,622,829 \$ 247,214,941
3 Big West Oil	North Salt Lake	\$	84,356,843	\$	11,081,244	\$ 95,438,087 \$ 82,237,334
4 Pacificorp	North Salt Lake		n/a	\$	67,596,835	\$ 67,596,835 \$ 63,668,096
5 WBC Partners/West	West Bountiful		n/a	\$	35,695,709	\$ 35,695,709 \$ 36,916,456
6 Legacy Crossing LLC	Centerville	\$	3,735,341	\$	24,739,013	\$ 28,474,354 \$ 34,997,957
7 IGI RE Holdings WX LLC	West Bountiful	\$	39,123,896	\$	3,335,774	\$ 42,459,670 \$ 30,796,258
8 Hospital Corp of Utah	Bountiful	\$	14,669,991	\$	18,500,000	\$ 33,169,991 \$ 28,208,007
9 Albertsons	North Salt Lake	\$	5,450,453	\$	21,007,384	\$ 26,457,837 \$ 35,072,905
10 Questar Gas	Bountiful		n/a	\$	23,131,705	\$ 23,131,705 \$ 25,763,854
11 Linde Gas North America LLC	Woods Cross	\$	20,796,503		n/a	\$ 18,479,296 \$ 17,018,951
12 Wal-Mart	Centerville	\$	1,779,284	\$	16,475,000	\$ 18,254,284 \$ 17,991,994
13 Bountiful Corner	Bountiful		n/a	\$	21,838,451	\$ 21,838,451 \$ 16,650,401
14 G & E Healthcare	Woods Cross		n/a	\$	15,376,000	\$ 15,376,000 \$ 18,688,126
15 Dayton West LLC	North Salt Lake	\$	1,839,551	\$	24,777,954	\$ 26,617,505 \$ 14,678,052

Source: Davis County Clerk/Auditor's Office

Notes: 2015 Certified Tax Rate = 0.000303 . Year end property values for the District were:

Real property \$5,816,779,642 Personal property, \$1,278,355,271 & Centrally assessed \$170,417,107

Total adjusted property values were \$7,165,552,020

**SOUTH DAVIS SEWER DISTRICT**  
**Operator Certification Program (Unaudited)**  
**For the Year Ending December 31, 2015**

Schedule 21

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

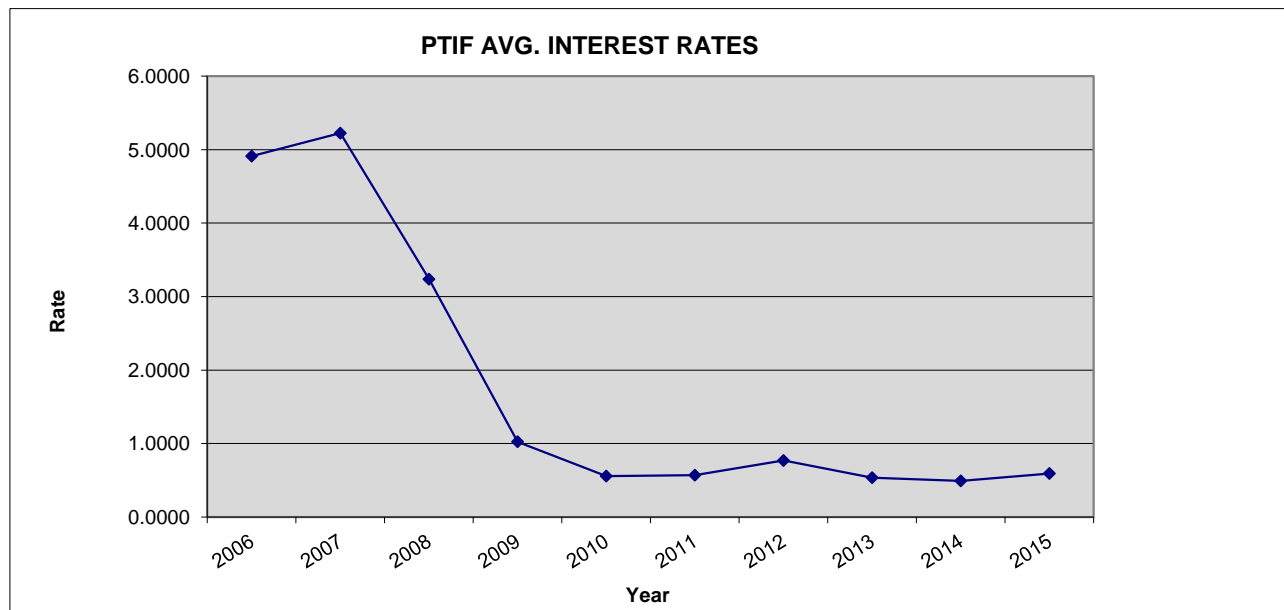
Source: District employment records and State of Utah, Division of Water Quality records.

Notes: In accordance with Section 19-5-104 of the Utah Code, wastewater operators, 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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Jan	4.2616	5.2238	4.7787	1.8558	0.5955	0.4812	0.7496	0.6499	0.5074	0.5073
Feb	4.4190	5.2342	4.2164	1.3798	0.5518	0.4900	0.7949	0.6120	0.5070	0.5184
Mar	4.5551	5.2384	3.6482	1.2600	0.5605	0.5102	0.7937	0.5739	0.5023	0.5294
Apr	4.7734	5.2424	3.2426	1.1700	0.5649	0.5362	0.7941	0.5295	0.4992	0.5475
May	4.8567	5.2463	3.0435	1.1170	0.5833	0.5374	0.7917	0.4902	0.4879	0.5559
Jun	5.0079	5.2510	3.0185	1.0107	0.5965	0.5463	0.7894	0.5046	0.4799	0.5610
Jul	5.0921	5.2554	3.0504	0.9296	0.5959	0.5455	0.7877	0.5115	0.4693	0.5791
Aug	5.1723	5.2629	3.0128	0.8489	0.5851	0.5577	0.7791	0.4962	0.4699	0.6098
Sep	5.1827	5.2672	2.8922	0.7592	0.5622	0.5961	0.7784	0.5126	0.4767	0.6368
Oct	5.2072	5.2677	2.8959	0.6968	0.5167	0.6336	0.7484	0.5143	0.4850	0.6593
Nov	5.2083	5.2074	2.7780	0.6396	0.4878	0.6790	0.7235	0.5150	0.5071	0.6824
Dec	5.2160	5.0112	2.2742	0.6255	0.4813	0.7190	0.6908	0.5103	0.5077	0.7244
<b>Avg</b>	<b>4.9127</b>	<b>5.2257</b>	<b>3.2376</b>	<b>1.0244</b>	<b>0.5568</b>	<b>0.5694</b>	<b>0.7684</b>	<b>0.5350</b>	<b>0.4916</b>	<b>0.5926</b>



Source: Utah State Treasurer's Office

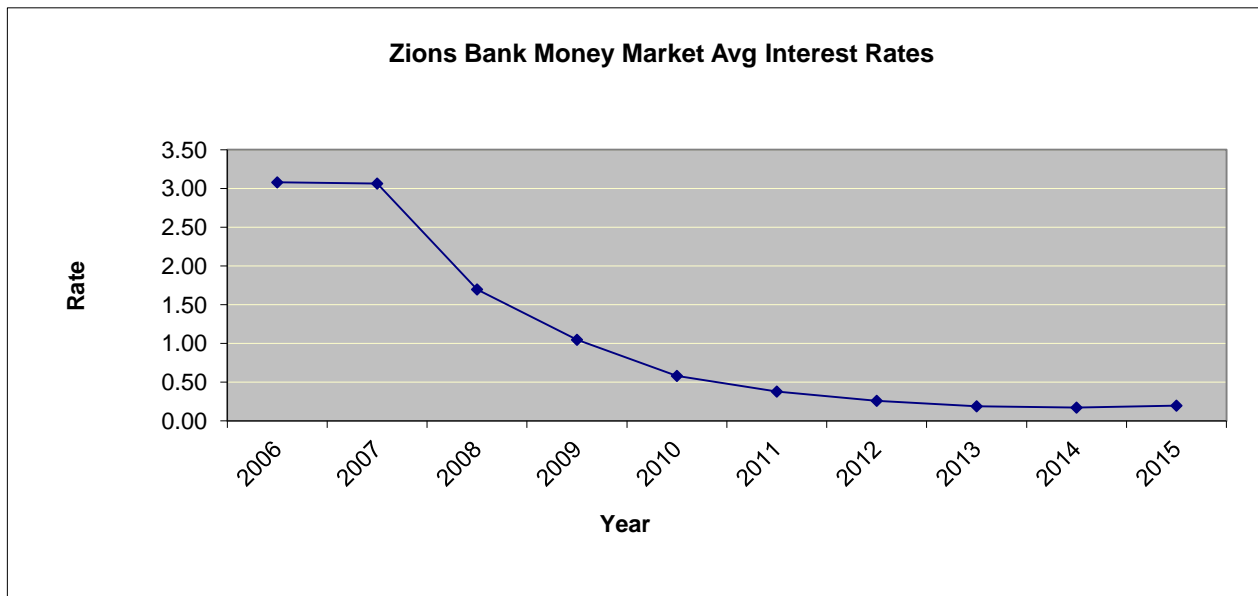
Note: Interest calculated based on the 365 day rate



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

Schedule 23

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Jan	2.90	2.75	2.50	1.50	0.90	0.60	0.30	0.20	0.20	0.20
Feb	3.32	2.75	1.75	1.35	0.70	0.40	0.30	0.20	0.20	0.20
Mar	2.95	3.40	1.30	1.20	0.50	0.47	0.25	0.20	0.15	0.20
Apr	2.97	3.40	1.30	1.00	0.50	0.38	0.20	0.20	0.20	0.19
May	3.25	2.75	1.30	0.85	0.65	0.37	0.20	0.15	0.20	0.19
Jun	3.04	3.40	1.50	1.00	0.50	0.36	0.20	0.20	0.15	0.19
Jul	3.30	3.40	1.80	1.15	0.65	0.50	0.30	0.20	0.15	0.19
Aug	3.65	3.40	1.80	1.00	0.65	0.35	0.25	0.20	0.15	0.20
Sep	2.75	3.40	1.80	1.00	0.57	0.30	0.50	0.15	0.20	0.20
Oct	3.30	3.00	2.00	1.00	0.50	0.30	0.20	0.15	0.15	0.19
Nov	2.75	2.60	2.05	1.00	0.44	0.25	0.20	0.20	0.15	0.20
Dec	2.75	2.50	1.25	0.50	0.40	0.25	0.20	0.20	0.15	0.20
<b>Avg</b>	<b>3.08</b>	<b>3.06</b>	<b>1.70</b>	<b>1.05</b>	<b>0.58</b>	<b>0.38</b>	<b>0.26</b>	<b>0.19</b>	<b>0.17</b>	<b>0.20</b>



Source: Zions Bank

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

Schedule 24

Year	Number of New Dwelling Units	Residential Construction Value (\$000)	Nonresidential Construction Value (\$000)	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential (\$000)	Nonresidential (\$000)	
2006	2,765	571,227	106,851	15,581	24,545	718,203
2007	1,919	393,723	129,439	18,678	29,544	571,384
2008	1,027	199,928	121,106	16,212	23,189	360,437
2009	1,061	189,750	71,933	18,220	20,802	300,706
2010	993	205,706	66,277	17,868	29,131	318,982
2011	1,334	239,784	56,404	17,981	44,765	358,934
2012	2,033	332,625	48,848	20,712	24,552	426,743
2013	632	122,334	27,274	4,498	15,155	169,263
2014	1,643	316,597	139,616	25,621	40,291	522,126
2015	1,693	366,998	370,979	28,640	52,720	522,126
10-year Avg.	1,510	293,867	113,873	18,401	30,469	426,890

Source: Bureau of Economic and Business Research, Construction Report, University of Utah (BEBR).

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

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

Schedule 25

Fiscal Year	Function/Department						Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Quality Group	
2006	6	6	2	5	1		20
2007	6	6	2	6	1		21
2008	7	6	2	5	1		21
2009	7	6	2	7	1	1	24
2010	7	6	2	7	1	1	24
2011	7	7	2	7	1	1	25
2012	7	8	2	6	1	1	25
2013	7	8	2	6	1	1	25
2014	7	8	2	6	1	1	25
2015	7	8	2	6	1	1	25
<b>Average</b>	<b>6.8</b>	<b>6.9</b>	<b>2</b>	<b>6.1</b>	<b>1</b>	<b>0.7</b>	<b>23.5</b>

Source: District employment records

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

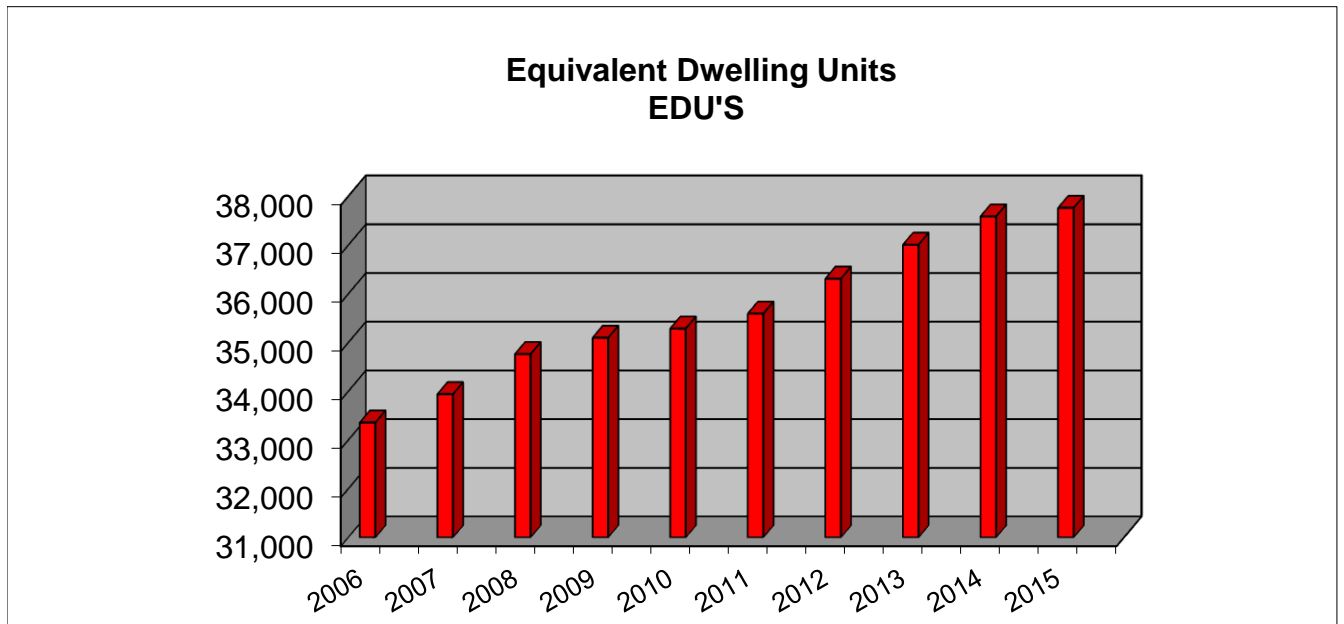
\*The Bountiful City sewer system was transferred to the District on 1/1/04. This transfer brought an additional 9000 accounts, 2450 manholes, and 630,437 feet of sewer lines to be serviced, repaired and maintained.

2009 a Research Scientist was employed to assist the Water Quality Group TMDL project

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

Schedule 26

<u>YEAR</u>	<u>EDU'S</u>
2006	33,357
2007	33,939
2008	34,761
2009	35,096
2010	35,284
2011	35,591
2012	36,309
2013	37,005
2014	37,587
2015	37,762



Source: District accounting and engineering records.

Notes: 1 EDU (equivalent dwelling unit) = 200,000 gallons of water allowed annually.

Bountiful City Sewer System was transferred to the District in 2004 bringing 9000 new additional customer accounts

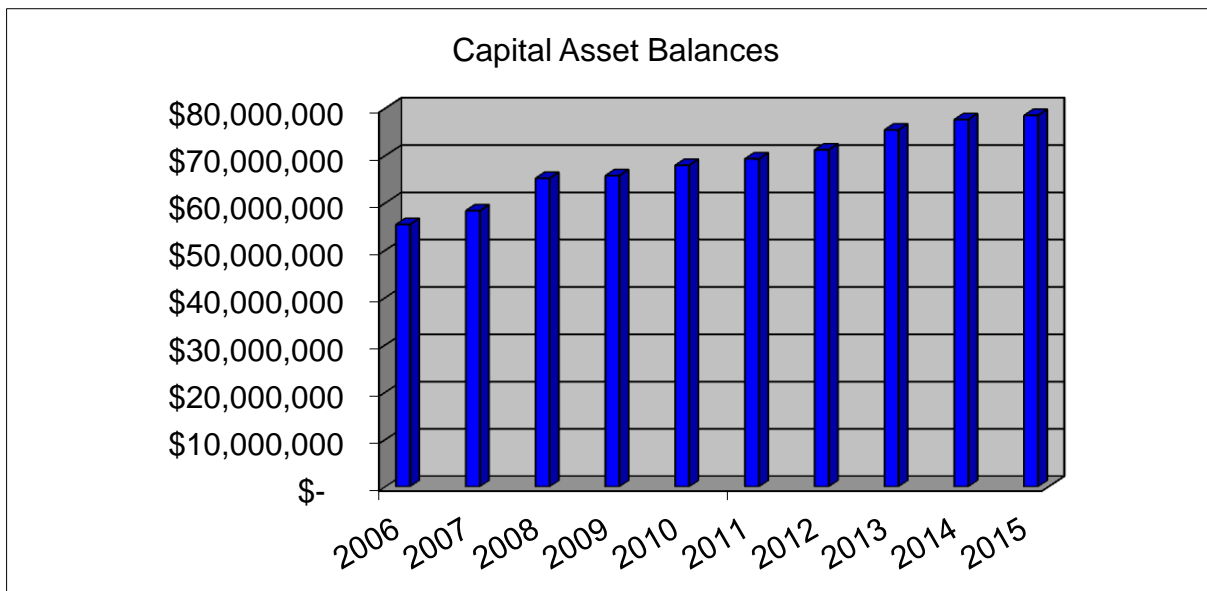
The District has approximately 26,700 customer accounts as of 12/31/15

# SOUTH DAVIS SEWER DISTRICT

Capital Asset Balances (Unaudited)  
Last Ten Fiscal Years

Schedule 27

Year	Collection System	Treatment Plants	Land	Total
2006	\$ 27,993,485	\$ 27,338,789	\$ 73,694	\$ 55,405,968
2007	\$ 29,963,284	\$ 27,837,403	\$ 491,912	\$ 58,292,599
2008	\$ 35,742,140	\$ 28,505,243	\$ 919,427	\$ 65,166,810
2009	\$ 36,880,697	\$ 27,892,944	\$ 949,426	\$ 65,723,067
2010	\$ 37,984,953	\$ 27,957,217	\$ 1,968,606	\$ 67,910,776
2011	\$ 38,283,687	\$ 28,640,975	\$ 2,343,606	\$ 69,268,268
2012	\$ 40,029,561	\$ 29,087,571	\$ 2,060,200	\$ 71,177,332
2013	\$ 43,353,252	\$ 29,382,040	\$ 2,641,532	\$ 75,376,824
2014	\$ 44,783,039	\$ 29,633,882	\$ 3,148,863	\$ 77,565,784
2015	\$ 45,682,665	\$ 29,633,882	\$ 3,148,863	\$ 78,465,410



Source: District capital asset records.

Notes: 'Bountiful City Sewer System was transferred to the District in 2004.

Balances exclude depreciation (historical cost), include 2013 prior period adjustment of land \$73,693.80.

**SOUTH DAVIS SEWER DISTRICT**  
**Capital Asset Summary (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 28

	COST							ACCUMULATED DEPRECIATION							
	Acct #	Description	Balances	Additions	Deletions	Transfers	Adjust	Balances	Acct #	Balances	Depreciation	Deletions	Transfers	Balances	
			12/31/14					12/31/15		12/31/14	Expense			12/31/15	
107	182000	0.01 Building & Facilities	2,704,630.64	5,618.91	-0-	-0-	-0-	2,710,249.55	182100	0.01	(88,070.67)	-0-	-0-	-0-	(88,070.67)
	182000	0.02 Building & Facilities	21,587,121.30	-0-	-0-	-0-	-0-	21,587,121.30	182100	0.02	(8,585,692.65)	(8,703.44)	-0-	-0-	(8,594,396.09)
	188000	0.04 Construction in Progress	102,773.55	8,295.00	-0-	(25,194.91)	-0-	85,873.64			-0-	-0-	-0-		
	189000	0.01 Outfall/Sewer Lines	39,327,693.00	502,303.71	(13,149.35)	-0-	-0-	39,816,847.36	189110	0.01	(3,675,563.97)	-0-	13,149.35	-0-	(3,662,414.62)
	189000	0.02 Outfall/Sewer Lines	5,748,121.05	-0-	-0-	-0-	-0-	5,748,121.05	189110	0.02	(1,290,559.59)	-0-	-0-	-0-	(1,290,559.59)
	189000	0.04 Outfall/Sewer Lines	-	-0-	-0-	-0-	-0-	-0-	189110	0.04	-0-	-0-	-0-	-0-	
	189200	0.01 Operation & Sup Equip.	397,501.76	22,183.48	-0-	-0-	-0-	419,685.24	189210	0.01	(219,562.57)	(21,441.02)	-0-	-0-	(241,003.59)
	189200	0.02 Operation & Sup Equip.	392,898.94	86,521.11	-0-	-0-	-0-	479,420.05	189210	0.02	(106,127.77)	(18,948.45)	-0-	-0-	(125,076.22)
	189300	0.01 Tools & Test Equip.	229,478.88	-0-	-0-	-0-	-0-	229,478.88	189310	0.01	(398,613.46)	(2,765.29)	-0-	-0-	(401,378.75)
	189300	0.02 Tools & Test Equip.	178,996.25	-0-	-0-	-0-	-0-	178,996.25	189310	0.02	(184,221.03)	(8,822.25)	-0-	-0-	(193,043.28)
	189300	0.03 Tools & Test Equip.	108,736.04	-0-	-0-	-0-	-0-	108,736.04	189310	0.03	(110,637.62)	-0-	-0-	-0-	(110,637.62)
	189300	0.05 Tools & Test Equip.	247,530.85	-0-	-0-	-0-	-0-	247,530.85	189310	0.05	(98,784.50)	(49,506.17)	-0-	-0-	(148,290.67)
	189400	0.01 Mobile Equipment	2,007,611.74	474,824.14	(92,156.00)	-0-	-0-	2,390,279.88	189410	0.01	(820,710.19)	(137,376.91)	13,458.16	-0-	(944,628.94)
	189400	0.02 Mobile Equipment	1,094,714.75	155,567.05	(189,066.76)	-0-	-0-	1,061,215.04	189410	0.02	(679,075.12)	(19,740.43)	36,417.15	-0-	(662,398.40)
	189400	0.03 Mobile Equipment	25,109.96	22,437.03	(25,109.96)	-0-	-0-	22,437.03	189410	0.03	(13,575.16)	(4,487.41)	13,575.16	-0-	(4,487.41)
	189500	0.01 Office Furn. & Equip.	116,123.60	-0-	-0-	-0-	-0-	116,123.60	189510	0.01	(191,881.06)	(2,448.88)	-0-	-0-	(194,329.94)
	189500	0.02 Office Furn. & Equip.	143,029.70	91,011.21	-0-	-0-	-0-	234,040.91	189510	0.02	(259,528.97)	(4,140.10)	-0-	-0-	(263,669.07)
	189500	0.03 Office Furn. & Equip.	4,849.56	-0-	-0-	-0-	-0-	4,849.56	189510	0.03	(4,702.60)	-0-	-0-	-0-	(4,702.60)
	189600	0.01 Land & Right-Of-Ways	421,632.89	-0-	-0-	-0-	-0-	421,632.89							
	189600	0.02 Land & Right-Of-Ways	2,727,229.91	-0-	-0-	-0-	-0-	2,727,229.91							
189600	0.04 Land & Right-Of-Ways	-	-0-	-0-	-0-	-0-	-0-								
		77,565,784.37	1,368,761.64	(319,482.07)	(25,194.91)	-0-	78,589,869.03			(16,727,306.93)	(278,380.35)	76,599.82	-0-	(16,929,087.46)	

Source: District capital asset records

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

**SOUTH DAVIS SEWER DISTRICT**  
**Capital Asset Additions (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 29

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
<b>BUILDINGS AND FACILITIES (182000)</b>							
Fuel Pump	60	5,618.91					5,618.91
<b>SUBTOTAL</b>		<b>\$ 5,618.91</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ 5,618.91</b>
<b>CONSTRUCTION WORK IN PROGRESS (188000)</b>							
<b>SUBTOTAL</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ -</b>
<b>OUTFALL/SEWER LINES (189000)</b>							
2015 Contributed Deeded Lines	6075	266,362.00					266,362.00
Legacy Development Line	6076	74,765.98					74,765.98
Legacy Trails Lift Station	1918	161,175.73					161,175.73
<b>SUBTOTAL</b>		<b>\$ 502,303.71</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ 502,303.71</b>
<b>OPERATION &amp; SUPPORT EQUIPMENT (189200)</b>							
Bridge Crane	5933	6,618.93					6,618.93
Pearpont Lateral Camera	5934	7,500.00					7,500.00
Electrical Car Wash	5935	8,064.55					8,064.55
N/P 90 hp Pump	5899		\$ 86,521.11				86,521.11
<b>SUBTOTAL</b>		<b>\$ 22,183.48</b>	<b>\$ 86,521.11</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ 108,704.59</b>
<b>TOOLS AND TEST EQUIPMENT (189300)</b>							
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ -</b>
<b>MOBILE EQUIPMENT (189400)</b>							
2015 GapVax Jet Washer	3538	\$ 361,105.14					\$ 361,105.14
2016 Ford F350 Truck	3540	48,622.00					48,622.00
2016 Ford F350 Truck	3541	47,597.00					47,597.00
1997 Volvo ACL Dump Truck	3539	17,500.00					17,500.00
Ford Mower Tractor	3545		\$ 9,553.05				9,553.05
2016 Ford Expedition	3542		49,450.00				49,450.00
2016 Ford F350 Truck	3543		48,622.00				48,622.00
2016 Ford F350 Truck	3544		47,942.00				47,942.00
2015 Ford Van IP	3535			22,437.03			22,437.03
<b>SUBTOTAL</b>		<b>\$ 474,824.14</b>	<b>\$ 155,567.05</b>	<b>\$ 22,437.03</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 652,828.22</b>
<b>OFFICE FURNITURE &amp; EQUIPMENT (189500)</b>							
Poweredge T630 Server	4556		\$ 20,235.00				\$ 20,235.00
GIS System	4557		\$ 70,776.21				\$ 70,776.21
<b>SUBTOTAL</b>		<b>-0-</b>	<b>\$ 91,011.21</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ 91,011.21</b>
<b>LAND &amp; RIGHT OF WAYS (189600)</b>							
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ -</b>
<b>GRAND TOTAL</b>		<b>\$ 1,529,417.43</b>	<b>\$ 419,620.48</b>	<b>\$ 22,437.03</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,360,466.64</b>

Source: District capital asset records

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

**SOUTH DAVIS SEWER DISTRICT**  
**Capital Asset Deletions (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 30

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
<b>BUILDINGS AND FACILITIES (182000)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>CONSTRUCTION WORK IN PROGRESS (188000)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>OUTFALL/SEWER LINES (189000)</b>						
Evergreen Lift Station	1932	\$ 13,149.35				13,149.35
<b>SUBTOTAL</b>	1937	\$ 13,149.35	-0-	-0-	-0-	\$ 13,149.35
<b>OPERATION &amp; SUPPORT EQUIPMENT (189200)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>TOOLS AND TEST EQUIPMENT (189300)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>MOBILE EQUIPMENT (189400)</b>						
2015 Ford F350 Truck	3537	\$ 47,649.00			\$	47,649.00
2015 Ford F250 Truck	3533	44,507.00				44,507.00
2015 Chev Truck	3534		\$ 49,830.00			49,830.00
2014 Ford Expedition	3525		43,442.16			43,442.16
2015 Ford F350 Truck	3532		47,649.00			47,649.00
2015 Ford Expediton	3536		48,145.60			48,145.60
1993 Chev Van	2508			\$ 25,109.96		25,109.96
<b>SUBTOTAL</b>		\$ 92,156.00	\$ 189,066.76	\$ 25,109.96	\$ -	\$ 306,332.72
<b>OFFICE FURNITURE &amp; EQUIPMENT (189500)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>LAND &amp; RIGHT OF WAYS (188000)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>GRAND TOTAL</b>		<b>\$ 105,305.35</b>	<b>\$ 189,066.76</b>	<b>\$ 25,109.96</b>	<b>\$ -</b>	<b>\$ 319,482.07</b>

Source: District capital asset records

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



**SOUTH DAVIS SEWER DISTRICT**  
**Capital Asset Transfers (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 31

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
<b>BUILDINGS AND FACILITIES (182000)</b>						-0-
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>CONSTRUCTION WORK IN PROGRESS (188000)</b>						
CS Facility Construction Fuel Station 2014	60			(5,618.91)	\$	(5,618.91)
2015 Ford Van IP	3535			\$ (19,576.00)	\$	(19,576.00)
<b>SUBTOTAL</b>		-0-	-0-	(25,194.91)	-0-	\$ (25,194.91)
<b>OUTFALL/SEWER LINES (189000)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>OPERATION &amp; SUPPORT EQUIPMENT (189200)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>TOOLS AND TEST EQUIPMENT (189300)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>MOBILE EQUIPMENT (189400)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-	-0-	\$ -
<b>OFFICE FURNITURE &amp; EQUIPMENT (189500)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>LAND &amp; RIGHT OF WAYS (188000)</b>						
<b>SUBTOTAL</b>		-0-	-0-	-0-	-0-	-0-
<b>GRAND TOTAL</b>		\$ -	\$ -	\$ (25,194.91)	\$ -	\$ (25,194.91)

Source: District capital asset records

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

**SOUTH DAVIS SEWER DISTRICT**  
**Construction in Progress (CIP) (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 32

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
<b>BUILDINGS AND FACILITIES (182000)</b>						
Fuel Pump	60	(5,618.91)				(5,618.91)
2016 Ford Van	3535	(19,576.00)				(19,576.00)
<b>SUBTOTAL</b>		<b>\$ (25,194.91)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>\$ (25,194.91)</b>
<b>CONSTRUCTION WORK IN PROGRESS (188000)</b>						
2 Post Bendpak 18K Lift CS	6509	8,295.00				8,295.00
<b>SUBTOTAL</b>		<b>8,295.00</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>8,295.00</b>
<b>OUTFALL/SEWER LINES (189000)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>OPERATION &amp; SUPPORT EQUIPMENT (189200)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOOLS AND TEST EQUIPMENT (189300)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>MOBILE EQUIPMENT (189400)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>\$ -</b>	<b>-0-</b>	<b>\$ -</b>
<b>OFFICE FURNITURE &amp; EQUIPMENT (189500)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>LAND &amp; RIGHT OF WAYS (188000)</b>						
<b>SUBTOTAL</b>		<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>GRAND TOTAL</b>		<b>\$ (8,604.91)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,899.91)</b>

Source: District capital asset records

Note: 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 33

<b>Year</b>	<b>Collection System O &amp; M</b>	<b>Treatment Plants O &amp; M</b>	<b>Capital Expenses</b>	<b>Debt Service</b>	<b>Total Expenses</b>
2006	\$ 761,449	\$ 2,396,746	\$ 384,323	\$ 908,747	\$ 4,451,265
2007	\$ 956,432	\$ 2,209,643	\$ 1,889,003	\$ 899,800	\$ 5,954,878
2008	\$ 1,062,787	\$ 2,398,117	\$ 2,042,642	\$ 309,300	\$ 5,812,846
2009	\$ 1,193,312	\$ 2,848,451	\$ 1,657,519	-	\$ 5,699,282
2010	\$ 1,141,213	\$ 2,766,897	\$ 3,217,837	-	\$ 7,125,947
2011	\$ 1,301,539	\$ 2,791,597	\$ 3,350,410	-	\$ 7,443,546
2012	\$ 1,230,974	\$ 3,459,306	\$ 2,822,042	-	\$ 7,512,322
2013	\$ 1,358,286	\$ 4,049,164	\$ 2,127,162	-	\$ 7,534,612
2014	\$ 1,650,804	\$ 3,534,549	\$ 2,201,175		\$ 7,386,528
2015	\$ 1,698,607	\$ 4,245,168	\$ 1,360,467		\$ 7,304,242

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

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

<sup>1</sup> Bountiful City sewer system was transferred to the District in 2004.

Treatment Plants include pretreatment, OU2 facility and WQG expenses

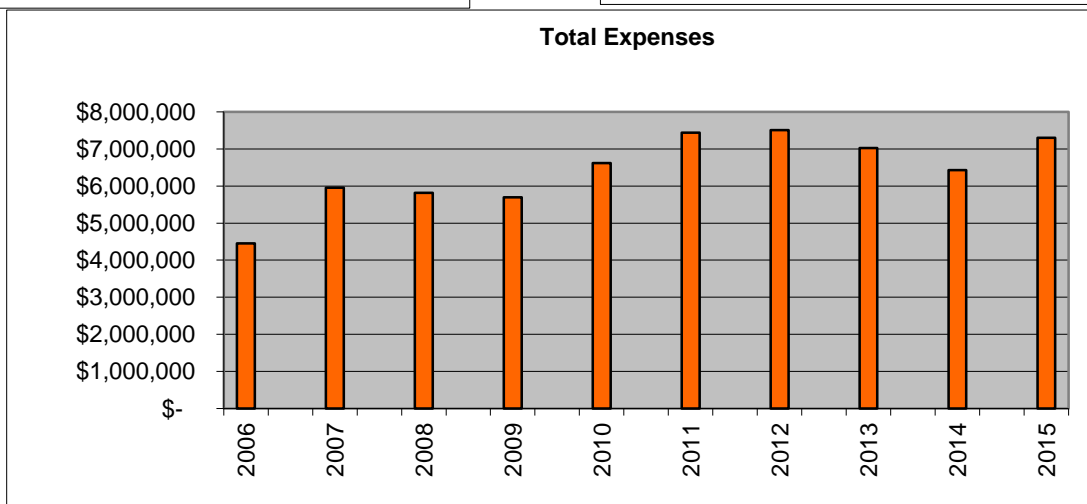
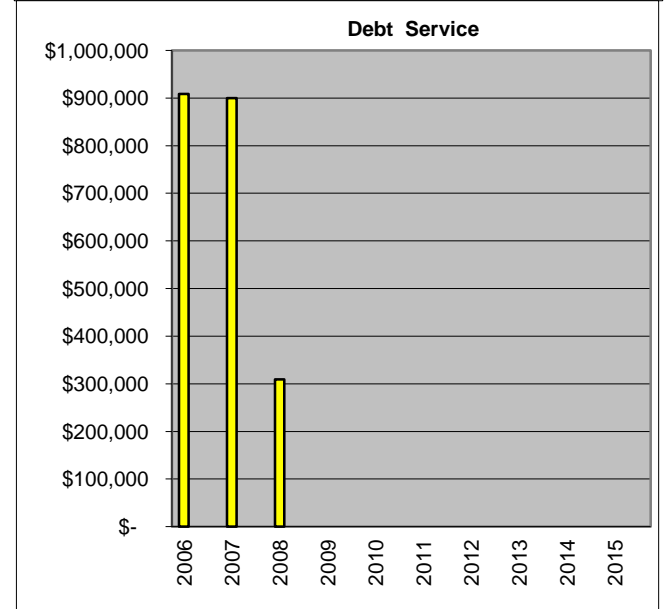
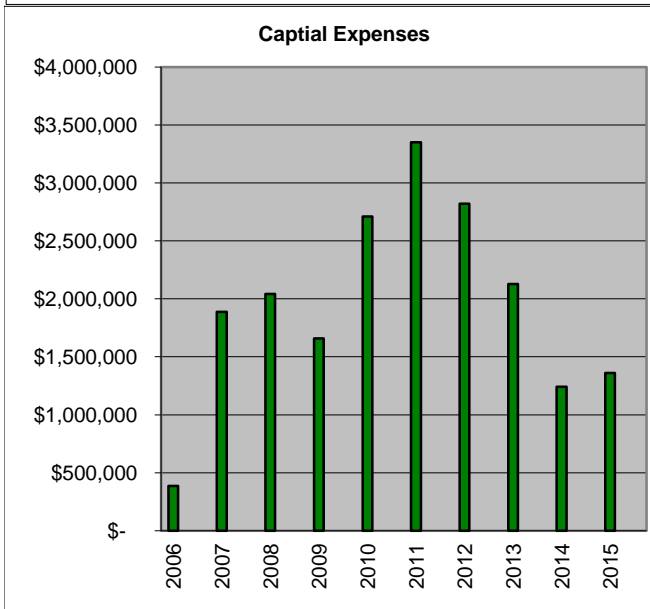
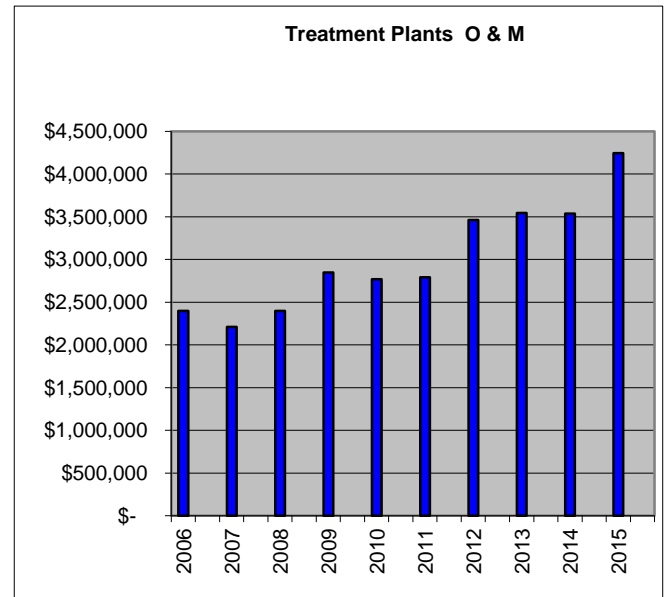
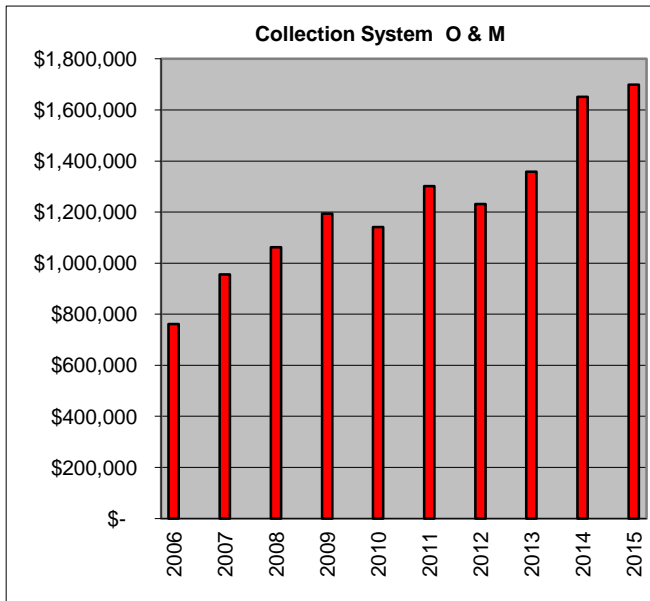
Total expenses excluded depreciation

# SOUTH DAVIS SEWER DISTRICT

Schedule 34

## Expenses by Function (Unaudited)

Last Ten Fiscal Years



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

Notes: Revenue bonds were refunded in October of 2003 and matured on 12/15/08.

GASB Statement 34 was implemented in 2004 in association with the modified approach to capital assets.

**SOUTH DAVIS SEWER DISTRICT**  
**Summary of Insurance Coverage (Unaudited)**  
**For the Year Ended December 31, 2015**

Schedule 35

<b><u>Carrier</u></b>	<b><u>Policy No.</u></b>	<b><u>Coverage</u></b>	<b><u>Policy Period</u></b>
Olympus Insurance Agency	GWUFP0154302 Arch	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/15 to 1/1/16
Olympus Insurance Agency	GWUFP0154302 Arch	Excess Liability (\$10,000,000)	1/1/15 to 1/1/16
Olympus Insurance Agency	GWPKG0154302 Arch	Property (\$52,030,580)	1/1/15 to 1/1/16
Olympus Insurance Agency	GWPKG0154302 Arch	*Fidelity Bond (\$750,000) Treasurer	1/1/15 to 1/1/16
Olympus Insurance Agency	GWPKG0154302 Arch	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/15 to 1/1/16
Worker Compensation Fund	1494897	Workers Compensation	1/1/15 to 1/1/16

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 (i.e. 2013 Amended).

Settled claims have not exceeded commercial excess coverage in any of the past three years.

**SOUTH DAVIS SEWER DISTRICT**  
Wastewater System  
For The Year Ending December 31, 2015

Schedule 36

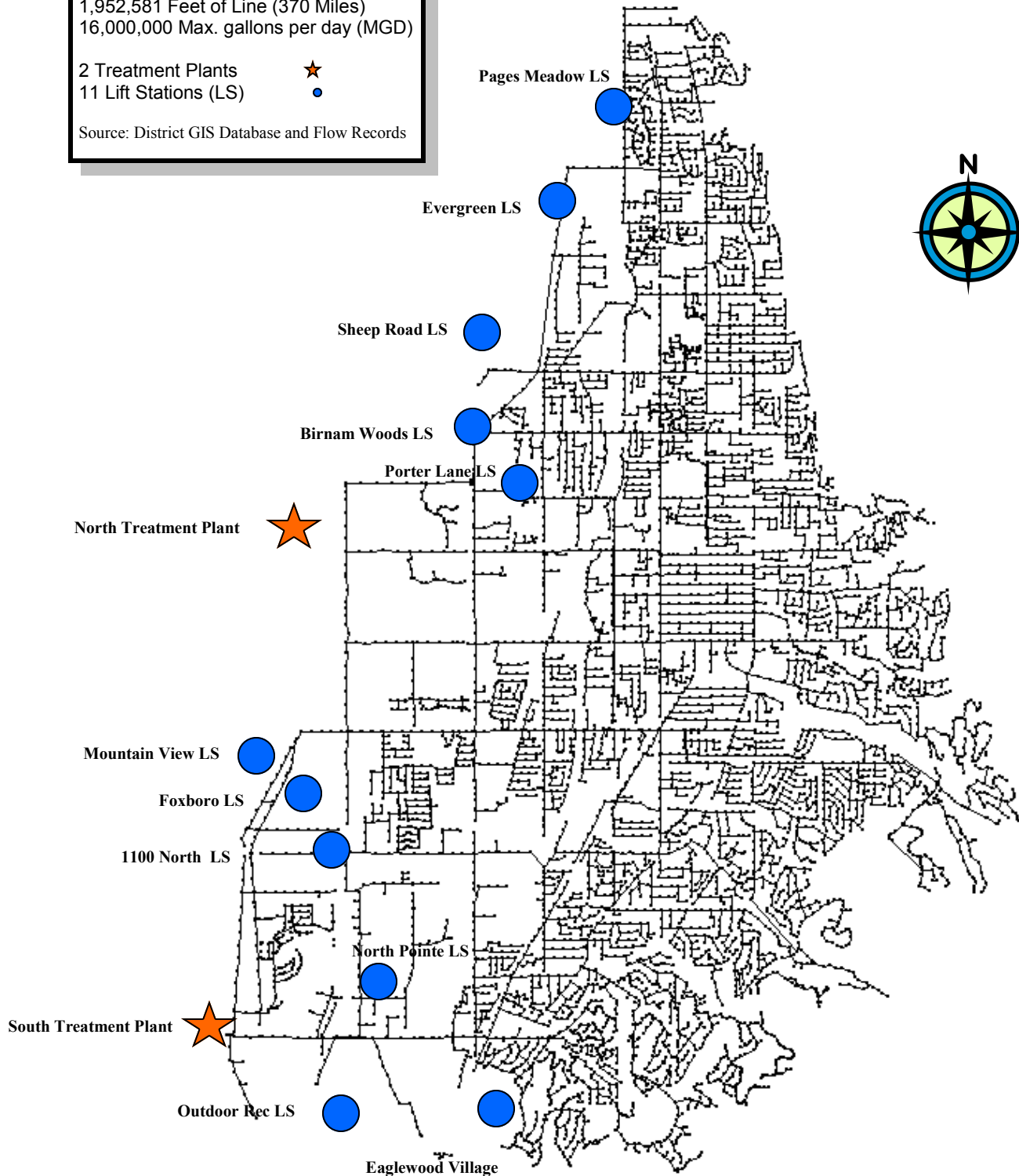
**Statistics**

34.38 Square Miles  
8,565 Manholes  
8,664 Sections of Line  
1,952,581 Feet of Line (370 Miles)  
16,000,000 Max. gallons per day (MGD)

2 Treatment Plants  
11 Lift Stations (LS)



Source: District GIS Database and Flow Records



**SOUTH DAVIS SEWER DISTRICT**  
**Safety and Workplace Injury**  
**For the Year Ended December 31, 2015**

Schedule 37

Year	Collection System	Plants	Water Quality Group	Office	Annual Total
2007	arm, arm & neck	arm (ice slip)			4
2008	eye & eye	shoulder		back (ice slip)	4
2009	wrist/hand				2
2010		foot	finger	foot	3
2011	hip & shoulder				1
2012	knee				1
2013	leg	foot			2
2014		eye			1
2015					0
<b>Department Total</b>	<b>10</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>17</b>

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

Item	Regulation(s)	Written Program	Training	Documentation
Blood borne Pathogens	Federal OSHA 1910.1030	X	X	X
Personal Protective Equipment	29 CFR Ch. XVII Subpart I (1910.132-139)	XX	X	X
Noise Exposure & Hearing Protection	Federal OSHA 1910.95	XX	X	X
Hazardous Materials Communication	Federal OSHA 1910.1200	XXX	X	X
Laboratory Safety	Federal OSHA 1910.1450	XX	X	X
Respiratory Protection	Federal OSHA 1910.134	XX	X	X
Confined Space Entry	Federal OSHA 1910.146	XXX	X	X
CDL Policies & procedures	Federal DOT (40 CFR 390 & 391)	X		X
CDL Random Drug Testing	Federal DOT (40 CFR 390 & 391)	X		X
Electrical Safety	Federal OSHA 1910.331-335		X	X
Emergency Response Planning	Federal OSHA 1910.38	X	X	X
Powered Industrial Truck Operation	Federal OSHA 1910.78		X	X
Accident Reporting	Federal OSHA 1904		X	X
Flammable Liquids Storage & Handling	Federal OSHA 1910.106	X	X	X
Fire Extinguishers	Federal OSHA 1910.157		X	X
Control of Hazardous Energy (LOTO)	Federal OSHA 1910.147	XX	X	X
Air Contaminant Exposure	Federal OSHA 1910.1000			X
On-site Contractor Briefing	Various			X
Welding, Cutting, & Brazing	Federal OSHA 1910.252	X	X	X
Emergency Response HAZMAT	Federal OSHA 1910.120	X	X	X
Traffic Control	Utah DOT Manual on Uniform TC Devices		X	X
Heavy Equipment	Federal OSHA 1910.180(b)(3)		X	X
Crane operator licensing	Utah Code Section 58-55-102			X

Source: UOSHA and Federal OSHA publication 1910 and standards. District workers compensation records and the Workers Compensation Fund (carrier records).

# COMPLIANCE SECTION







KARREN | HENDRIX | STAGG | ALLEN  
COMPANY

A Professional Corporation

Ray H. Allen, CPA  
Rebecca M. Allred  
Robert L. Archuleta, CPA  
Stephen R. Capson, CPA  
Scott J. Hanni, CPA  
Danny L. Hendrix, CPA  
B. Joe Merkley, CPA  
Tim C. Rees, CPA  
Jeffrey N. Ririe, CPA  
G. John Runia, CPA  
R. Ted Stagg, CPA

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

Board of Trustees  
South Davis Sewer District  
West Bountiful, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the "District") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2016.

**Internal Control over Financial Reporting**

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

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

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

**CERTIFIED PUBLIC ACCOUNTANTS**

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

Karren, Hendrix, Stagg, Allen & Company

Salt Lake City, Utah  
June 20, 2016



KARREN | HENDRIX | STAGG | ALLEN  
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A Professional Corporation

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

Board of Trustees  
South Davis Sewer District  
West Bountiful, Utah

**Report On Compliance with General State Compliance Requirements and for Each Major State Program**

We have audited South Davis Sewer District's (the "District") compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District or each of its major state programs for the year ended December 31, 2015.

General state compliance requirements were tested for the year ended December 31, 2015 in the following areas:

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

The District did not receive any major State grants during the year ended December 31, 2015.

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**CERTIFIED PUBLIC ACCOUNTANTS**

## ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the District's compliance.

## ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, South Davis Sewer District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District or on each of its major state programs for the year ended December 31, 2015.

## **Opinion**

In our opinion, South Davis Sewer District complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended December 31, 2015.

## **Report On Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over

compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Karren, Hendrix, Stagg, Allen & Company  
June 20, 2016



# **SOUTH DAVIS SEWER DISTRICT**

South Treatment Plant

North Salt Lake, Utah

